FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,440 — Monday January 18 1988 — D 8523 A

Anthony Harris: two voices on the dollar, Page 10

World News

Haiti poll marred by low turnout and strike

Haiti's military-run general elections yesterday were marked by low turnout, disarray and continued controversy. Organisation appeared poor, with many polling sites lacking both officials and voters.

Large numbers of troops and police patrolled the capital and guarded polling stations but few civilians ventured onto the streets, although there were no immediate reports of violence. Page 18

Lib-SDP policy deal

A special negotiating team from the UK's Liberal Party and the Social Democrat Party announced it had reached unanimous agreement on a new policy document for a merged party. Page 5

Bonn fuse burns on

Confusion increased in West Germany about alleged smuggling of nuclear bomb-making material as the International Atomic Energy Agency was called into investigations and an environmental politician accused the Government of a cover-up. Page 2

Manila plot fears

Philippine soldiers tightened security on the eve of local elections after Armed Forces chief, General Fidel Ramos, said fugitive soldiers loyal to ex-president Marcos planned to disrupt the poll. Background, page 3

Chirac off the blocks

Jacques Chirac, the French Prime Minister, formally announced his candidature in the presidential election this spring, the first of the three main contenders to declare publicly that he would run for office. Page 2

Iran offensive

Tehran's expected ground offensive may have begun after Iraq claimed to have repelled an Iranian attack in the border region of Mawut but said fighting continued. Page 3

Alfonsin chases Rico

Rebel troops in Argentina, led by fugitive commando officer Aldo Rico, fanned out in the northern town of Monte Caseros preparing for a fight with three army regiments loyal to President Raul Alfonsin. Page 18

Brazil debt threat

Brazilian Finance Minister Mailson da Nobrega said Brazil would not pay 1988 interest on its huge foreign debt unless creditor banks abroad advanced new loans.

E. Berlin arrests

East German authorities arrested nearly 30 members of independent civil rights and peace groups in East Berlin during an official rally.

New-look ministry

The Soviet Union abolished its ministry of foreign trade and a related state committee and replaced them with a new ministry of foreign economic relations. Page 2

De Mel set to quit

Mr Ronnie de Mel, Sri Lanka's Finance Minister is expected to resign because of growing differences with President Junius Jayawardene over violence among Sinhalese youth. Page 3

French frigate

A French frigate, the Drogou 783, started transit through the Suez Canal destined for the Gulf.

Air strikes

Italy's Alitalia airline said half of its scheduled flights will be cancelled today because of a dispute at airports in Rome and Milan

Qoboza dies

Percy Qoboza, black South African newspaper editor, died in Johannesburg on his 50th birthday. Obituary, page 3

Business Summary

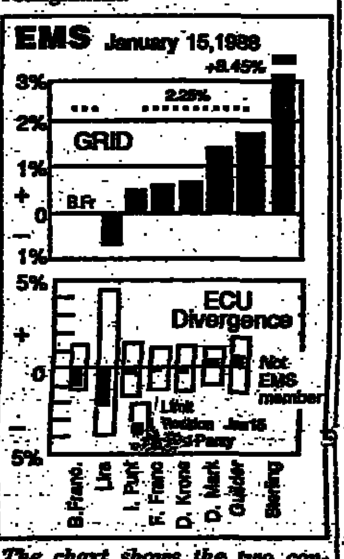
UK finance company plans USM flotation

LONDON Forfaiting, fast growing trade finance company, is planning a share flotation on the Unlisted Securities Market next month in what is expected to be the first issue of any size since last October's crash. Page 19

TURNER BROADCASTING System, highly leveraged Atlanta television production company, broke off the talks with NBC, the broadcasting subsidiary of General Electric, which might have led to a badly needed cash injection for Turner. Page 20

EAST RAND Proprietary Mines (ERPM), one of South Africa's oldest gold mines, has announced details of a R91.5m ($46.2m) rights issue. Page 20

EUROPEAN Monetary System: The dollar's sharp rise, after better-than-expected US trade figures, effectively postponed the threat of a build-up of pressure. Earlier, the dollar was showing a loss from the previous week, despite further central bank intervention. However, weaker members, such as the Belgian franc, remained well within their divergence limits, although there had been fears that another sharp dollar decline may have forced the authorities' hand on the timing of a realignment.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

CIBA GEIGY, Swiss chemicals group, recorded a slight decline in 1987 sales and expects group profits to be below those for 1986. Page 20

DUNDERDALE SEWELL and Green, became the second New Zealand stockbroker to be suspended after telling the stock exchange it was unable to meet its obligations. Page 20

FINSIDER, holding company for the Italian state-owned steel industry, announced a reshuffle of the top management of most of its main operating groups. Page 20

US CORPORATE DEBT defaults trebled last year compared with 1986, mainly because of the two large defaults by Texaco, and Public Service Company of New Hampshire. Page 20

IMC Fertilizers Group of the US is to sell shares in Europe in one of the first international equity offerings since last October's market crash. Page 20.

COCOA prices are expected to rise today, despite world oversupply, following the International Cocoa Organisation's success in achieving a new agreement on price-support. Page 4

JAPANESE contractors are increasing their share of international construction markets, particularly in the US and UK, warns Britain's Export Group for the Constructional Industries. Page 18

FINLAND'S two fledgling options exchanges are to merge. Page 21

Bonn faces Soviet pressure over Nato missiles

WEST GERMANY is likely to come under renewed pressure during a visit of Mr Eduard Shevardnadze, the Soviet Foreign Minister, to move away from Nato plans to modernise short-range US nuclear missiles stationed in the country, reports David Marsh in Bonn.

Mr Shevardnadze, who flew to Bonn yesterday for an intensive programme of talks lasting until tomorrow, underlined the importance of the visit and said that Moscow and Bonn had "great plans".

The visit sets the seal on a major improvement in links between the two countries after last month's superpower accord to eliminate medium-range nuclear missiles.

The two sides are scheduled to agree to hold future regular consultations between Foreign Ministers. They will also extend a long-term economic accord, signed in 1978, for a further five years.

But a possible trip to Bonn before the summer by Mr Mikhail Gorbachev now appears less likely. Instead, the Soviet leader may invite Chancellor Helmut Kohl to Moscow.

Mr Schevardnadze's journey could expose Nato strains about the next step in disarmament. Soviet efforts to press for moves to denuclearise Europe strike a popular chord in the Federal Republic.

But they run counter to present Nato planning of modernising, during the 1990s, short-range weapons such as US Lance missiles to counter the Warsaw Pact's conventional force superiority.

A senior Soviet embassy official on Friday repeated Moscow's opposition to any plans to "compensate" for the elimination of medium-range missiles by rearmament in other areas.

The West German Government is at present split on the Lance modernisation.

Mr Manfred Woerner, the Defence Minister, insists that the option must be kept open. But modernisation is opposed by Mr Hans-Dietrich Genscher, the Foreign Minister, and a broad cross-section of the senior government party, the Christian Democratic Union.

Mr Kohl has already come under pressure to back down from the modernisation plans in a letter received before Christmas from Mr Erich Honecker, the East German leader.

The letter, which East Germany made public a fortnight ago, to Bonn's irritation, is widely believed to be part of a ploy by Moscow to press for a European nuclear-free zone.

In an indication of another area of possible discord between the US and West Germany, Bonn's ambassador to Moscow, Mr Andreas Meyer-Landrut, gave an unusual interview to Pravda at the weekend in which he called for a relaxation of Western controls on high technology exports to the East bloc.

In what was believed to be the first contribution to Pravda from a German ambassador since the Bolshevik revolution, Mr Meyer-Landrut said the lists of embargoed technology drawn up by the Paris-based Cocom organisation needed to be "shortened considerably" to adjust to improved East-West relations.

Mr Meyer-Landrut's remarks follow similar statements this month from Mr Genscher.

The US has already criticised Bonn in recent months for allegedly not devoting sufficient resources to policing Cocom.

But the Reagan Administration believes that, in the present political climate, Bonn is highly unlikely to decide any tightening of Cocom enforcement or a toughening of penalties for infringements.

Bonn's president looks East, Page 2

Shevardnadze: visit could expose strains in Nato

Nicaraguan peace bid strengthened by Ortega pledge to talk

Reagan expected to seek more aid for Contra rebels

BY DAVID GARDNER IN SAN JOSE AND OUR FOREIGN STAFF IN LONDON

THE White House said last night it expected President Reagan to press ahead with a request to Congress for more aid for the Nicaraguan Contra rebels, despite major concessions by President Daniel Ortega of Nicaragua over the Central American peace initiative.

The peace process in Central America had received new impetus when President Ortega made the concessions to neighbouring countries by accepting direct talks with the rebels – something his government has said it would never do.

Mr Ortega also lifted the state of emergency in Nicaragua, effective from last Saturday, activated a wide-ranging amnesty law which had not yet been promulgated, and pledged to hold municipal elections as well as the elections to a Central American parliament planned for this year.

The move is seen as a bid to reduce the chances of the US Congress approving new aid for the rebels.

It creates problems for the Reagan Administration, however. While enabling the White House to assert that support for the Contras has paid off, it could spur Congress to decide that no future aid to the rebels is necessary.

The White House said that a formal request to Congress for more aid is expected on January 26, the day after Mr Reagan delivers his State of the Union address.

"The President is committed to supporting the resistance," added the spokesman. He went on to say that "pressure by the Nicaragua resistance is what brought the Sandinistas to the negotiating table."

President Ortega: a letter to Mr Reagan.

The Nicaraguan President's dramatic new concessions broke the deadlock at the meeting of five Central American presidents in San Jose, Costa Rica, called to decide the future of the peace agreement they signed at Esquipulas in Guatemala last August. The Guatemala accords did not commit Nicaragua's ruling Sandinistas to direct talks with the Contras, as the US has persistently demanded.

The Sandinistas were under enormous pressure to make these concessions in the build-up to the summit, which started amid mutual recriminations about who had complied with the accords, plus negotiations about whether to extend the deadline for their implementation, which expired last Friday.

A high-level US mission to El Salvador, Costa Rica, Honduras and Guatemala, Washington's allies in the region, warned before the summit that if the Reagan Administration lost the Contra aid vote, due on February 3, this could affect aid to those countries. Last year aid to El Salvador and Honduras alone rose to $1bn.

The talks with the Contras are expected to start in San Jose today. They will be mediated by Cardinal Miguel Obando, the Nicaraguan Primate, who has been involved in previous indirect negotiations between the two sides.

The talks will centre on the conditions for a ceasefire. Mr Ortega made clear that wider political issues would not be covered until the US-armed and financed rebels agree to stop trying to topple his government.

The Nicaraguan leader said he would be writing to President Reagan to call for an end to Contra aid and a reopening of direct talks with the US on security issues. Washington has said it will not restart bilateral negotiations with the Sandinistas – which broke down at the end of 1984 – until they talk to

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A mixed blessing for US leadership

By Lionel Barber in Washington

THE LAST-MINUTE political concessions offered by President Daniel Ortega of Nicaragua at the Central American summit at the weekend are a distinctly mixed blessing for the Reagan Administration.

On the positive side, President Reagan can argue that US military pressure through the surrogate Contra guerrilla force is paying off. The problem is that President Ortega's conciliatory moves could encourage the US Congress to halt future aid for the Contra rebels in a key vote early next month.

US officials had counted on the four leaders of El Salvador, Honduras, Guatamala, and Costa Rica to censure Nicaragua for not complying with the regional peace plan. That would have boosted arguments for a renewal of Contra aid to last the final year of the Reagan presidency.

The White House said yesterday it had no immediate comment on the Ortega proposals which include an offer to hold direct ceasefire talks with the Contras, a pledge to lift immediately a six-year state of emergency and a partial amnesty for political prisoners. All three concessions appear to meet several, if not all, long-standing US demands.

Washington's key concern, however, remains compliance; how to ensure the Nicaraguans translate their promises into action. President Oscar Arias of Costa Rica, architect of the regional peace plan which won him a

Continued on Page 18

Israeli cabinet backs 'iron fist' against protests

BY OUR JERUSALEM CORRESPONDENT

THE ISRAELI cabinet yesterday endorsed the policy of the "iron fist" which has been used to quell demonstrations in the occupied territories of the West Bank and Gaza, amid growing signs of rifts within the political establishment over how to approach to the problem.

At its regular Sunday session the cabinet discussed a report by Mr Yitzhak Rabin, the Defence Minister, on the unrest which has claimed 39 Palestinian lives since its outbreak in early December.

Violence continued yesterday on the West Bank, where Israeli troops fired rubber bullets after a bus was set afire. Apart from deaths and injuries the "iron fist" policy has led to curfews on 200,000 Palestinians in refugee camps and growing hunger among Arabs in the Gaza Strip.

Israeli Army radio said no decisions had been taken on what further measures – if any – should be taken. At the weekend, Mr Shimon Peres, the Foreign Minister and Labour leader, called for an immediate start to talks with Jordan, under the framework of an international conference, on the future of the West Bank and the Gaza Strip.

But in his willingness to open talks before the unrest is suppressed, Mr Peres has publicly opened up a gulf between himself and his senior party colleague and harder-line rival, Mr Rabin.

Disarray within the ranks of the right-wing Likud, Israel's other major political block, headed by Mr Yitzhak Shamir, the Prime Minister, has similarly emerged in recent days, as Israelis from all walks of life try to come to terms with the unprecedented unrest.

In a declaration which has stunned the Likud, Mr Shlomo Lahat, mayor of Tel Aviv and a top Likud figure, said Israel should withdraw entirely from the West Bank, the Gaza Strip and the Golan Heights – retaining only Arab East Jerusalem from the territories it captured in 1967.

Yesterday, Mr Moshe Arens, a former Cabinet Minister and a close aide of the Prime Minister, described Mr Lahat's statement as "a burden on Israel, and an embarrassment to the Likud."

Meanwhile, in a further sign of the Palestine Liberation Organisation's tightening grip on the situation, a leading pro-Jordanian figure in the West Bank, Mr Elias Freij, the long-serving mayor of Bethlehem, has said Israel would not be able to find substitutes among Palestinians for the PLO as a negotiating partner.

Speaking on Israeli television on Saturday, Mr Freij – a moderate long regarded with favour by the Israeli authorities as "an alternative leader" – was responding to comments by Defence Minister Yitzhak Rabin

Rubber bullets fired by Israeli soldiers landed near Mr Marrack Goulding, the UN Undersecretary-General, when he visited Balata refugee camp on the West Bank.

● The Pope said last night that Israel had to respect the rights of Palestinians and condemned as unacceptable Israeli police action against worshippers leaving a Jerusalem mosque, Reuter reports. He told a questioner during a visit to the Rome Foreign Press Association: "One cannot accept...attacking people in prayer."

European car sales hit record as VW group leads market

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

WEST EUROPEAN new car sales jumped to a record level last year with a 6 per cent volume increase to 12.37m units, according to preliminary industry estimates.

Car makers also appear certain to have set a new record for production at more than 12m units, in addition to this boom in demand.

The Volkswagen group of West Germany, which includes Audi and Seat, retained the overall market leadership ahead of Italy's Fiat, but France's Peugeot group succeeded in overtaking Ford to capture third place.

The five biggest volume car markets in Europe – West Germany, France, the UK, Italy and Spain – all set sales records, as did Sweden, Finland and Portugal. Six of the markets achieved record sales for the second successive year.

Spain recorded the most spectacular increase in new car registrations, with sales jumping 33 per cent to 916,000. Fiat, Ford and Peugeot made the biggest gains.

Sales in Italy rose 8 per cent to 1.97m; in the UK by 7 per cent to 2.013m; in France by 9.6 per cent to 2.095m and in West Germany by an estimated 2.9 per cent to 2.91m.

The Peugeot group of France, which includes Citroen and Talbot, advanced most strongly across West Europe with an increase in sales volume of nearly 13 per cent to 1.497m units helped by strong demand for both its Peugeot and Citroen model ranges.

In the UK, Citroen increased its sales volume by 33 per cent and Peugeot sales in Britain will be boosted further this year by the introduction, later this week, of its successful 405

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WEST EUROPEAN CAR SALES

Manufacturer	Market share (%) 1987	1986	% change 1986/87 (volume)
Volkswagen group (VW, Audi, Seat)	15.0	14.7	+7.8
Fiat group (Fiat, Alfa Romeo, Lancia, Ferrari)	14.2	14.0	+7.6
Peugeot group (Peugeot, Citroen, Talbot)	12.1	11.4	+12.9
Ford	12.0	11.7	+8.3
General Motors (Opel, Vauxhall, Isuzu)	10.7	11.0	+3.3
Renault	10.6	10.6	+5.6
Daimler-Benz (Mercedes)	3.5	3.7	-0.1
Rover Group (Austin Rover, Range Rover)	3.4	3.5	+1.5
Nissan	2.9	3.0	+3.4
Toyota	2.8	2.9	+2.7
BMW	2.4	2.6	-1.3
Volvo	2.2	2.3	-0.5
Mazda	1.9	2.0	-2.3
Mitsubishi	1.2	1.2	+6.8
Honda	1.0	1.2	-6.5
Total Japanese (inc European-made)	11.3	11.6	+2.5
TOTAL SALES (number)	12.37m	11.67m	+6.7

Source: Industry estimates.

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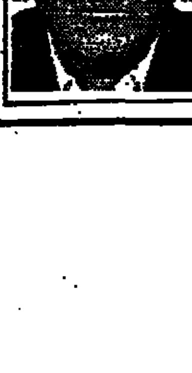

THE MONDAY PAGE INTERVIEW

Nigel Andrews talks to Ned Tanen, head of pictures at Paramount, Page 10

IAEA called in to W German nuclear inquiry

BY DAVID MARSH IN BONN

CONFUSION in West Germany about alleged smuggling abroad of nuclear bomb-making material heightened at the weekend as the International Atomic Energy Agency (IAEA) in Vienna was called into investigations.

The political temperature increased as Mr Volker Hauff, a leading environmental spokesman of the Opposition Social Democratic Party (SPD), accused the Bonn government of covering up details of the alleged shipments.

Mr Klaus Toepfer, Bonn Environment Minister, repeated that no concrete evidence had come to light that the Hanau-based nuclear companies Nukem and Transnuklear had been involved in delivering plutonium or enriched uranium to Pakistan or Libya.

The allegations, made public last week, have sparked concern that the Non-Proliferation Treaty may have been breached.

The IAEA has been called to check whether its controls on fissile material moving in and out of West Germany may have been circumvented. The IAEA denied a report from the news magazine Der Spiegel that fissile material capable of making 70 atomic bombs had gone missing from the agency's inventories in 1986.

Der Spiegel claimed that Nukem and Transnuklear had a connection with Pakistan going back several years through the Brussels atomic concern, Belgonucleaire.

The Belgian company denied the magazine's allegation that it had helped provide Pakistan with technology to help produce plutonium for making atomic bombs. The company said its contacts with both Libya and Pakistan were under strict safeguard controls. Its relations with Libya had been broken off in 1983, after US complaints.

A television report alleged at the weekend that another Hanau nuclear company, Alkem, had been involved in smuggling nuclear material abroad. Alkem denied this report.

Moscow in trade reshuffle

By Charles Hodgson in Moscow

THE SOVIET UNION has abolished its *ministry of foreign* trade and a related State committee. A new ministry of foreign economic relations takes their place.

This forms part of a wider *re-organisation of foreign trade* in response to economic reforms being introduced by Mr Mikhail Gorbachev.

The new ministry, to be headed by Mr Konstantin Katushev, *a former deputy* prime minister, will combine the operations of the foreign trade ministry and the state committee for foreign economic relations, which had been responsible for foreign aid agreements, and the establishment of companies and joint ventures in third countries.

Western diplomats yesterday described the move as an attempt to streamline bureaucracy in foreign trade, and added that it has probably involved staff cuts.

One diplomat noted as significant a more senior official being put in charge of the new ministry. He added that the move appeared to be related to the re-organisation last December of the former Bank for Foreign Trade into the Bank for Foreign Economic Relations.

Bonn's thoughtful president looks east

BY DAVID MARSH

WHEN Mr Eduard Shevardnadze, Soviet Foreign Minister, calls on Mr Richard von Weizsaecker, West German President, at his residence in Bonn today, the meeting will have more than symbolic importance.

The president has no executive functions but has carved out for himself a central place in West German politics since he moved into the Villa Hammerschmidt in 1984.

The silver-haired patrician is a member of the governing conservative party, the Christian Democratic Union.

In his reformist views on matters ranging from law and order to the risks of nuclear energy, and in his uncompromising statements on the country's need to come to terms with the legacy of the Nazi period, he can appear closer to the opposition at times.

The relationship between Mr von Weizsaecker and Chancellor Helmut Kohl is polite but a little tense. The president's authority and power to inspire are often seen as compensating for Mr Kohl's serious deficiencies in both areas.

In an interview in the Villa Hammerschmidt, Mr von Weizsaecker rejected the view that Bonn's new keenness to build bridges eastwards reflected present strains in the European Community. He stressed: "Our *eastward-looking policies will* not be an alternative to co-operation and friendship with western Europe."

The president said the reforms initiated by Mr Gorbachev were "absolutely vital for the Soviet Union. I cannot be certain whether they will continue, but I do not believe that we will see a setback which will undo all Gorbachev has done."

Mr von Weizsaecker spoke out against unduly restrictive policies on flows of technology to the East bloc, controlled under rules drawn up by Cocom.

The president said: "We cannot say that we simply need to scrap the Cocom list and then the reform process will work. If one had the feeling that these reform efforts were condemnded to failure, then the West would not have much alternative but to adhere to the practice in force up to now of a very controlled, very reserved form of partnership. If, on the other hand, this reform starts to be driven from within the Soviet Union, then it will become unavoidable that Soviet science be opened to ideas and advances on the world market.

"Some people say that the best that could happen is that the Soviet Union keep its system and its inefficiencies for as long as possible, and that this would be a success for the West. I would say that a success for the West would be that the Soviet Union improve its performance at the price of opening its system."

Chirac to run in presidential poll

BY GEORGE GRAHAM IN PARIS

MR Jacques Chirac, the French Prime Minister, has formally announced his candidature in the presidential election this spring.

The first of the three main contenders to declare publicly that he would run for office, Mr Chirac has thus fired the starting gun for the race to occupy the Elysee Palace for the next seven years.

No-one has been in the slightest doubt that both Mr Chirac and his rival on the right, Mr Raymond Barre, would run for the presidency.

What remains uncertain is whether President Francois Mitterrand, now 71, will decide to stand for another term.

Mr Chirac, who was defeated in the first round of the last presidential election in 1981 with less than 18 per cent of the votes, said in his declaration on Saturday that he wanted to develop a France "confident in its future as a major power".

The Prime Minister is seeking to maintain the solidarity of the right- wing coalition government he heads around its record since it won power from the Socialists in the parliamentary elections of March 1986.

Already, however, the unity of the right appears threatened. Four of the five groupings that make up the Union pour la Democratie Francaise (UDF), partner of Mr Chirac's Rassemblement pour la Republique (RPR) in the government, have already voted to back Mr Barre in the first round of the presidential election.

The latest opinion poll, carried out last week by IFOP on behalf of the daily newspaper Liberation, shows Mr Mitterrand leading a first round poll with 41 per cent of the votes, compared with 25 per cent for Mr Barre and 18.5 per cent for Mr Chirac. In a second round run-off against either of the two main right wing candidates the Socialist president would win, the poll indicates.

Turkey to reform trade regulations

TURKEY has announced a series of trade and budget measures to protect local industry, cut red tape and reduce the big government budget deficit, Reuter reports from Ankara.

Restrictions on more than 75 classes of imports were lifted and only 33 items like guns or drugs will need permits. But the net cost of many luxury imports will rise.

The decree said the measures aimed to help Turkish industry to compete, to reduce smuggling and to ease red tape. It said the proportion of imports needing licences would drop from 10 to 4.5 per cent.

While the measures announced by a Treasury and Foreign Trade Undersecretariat decree and published in an official government gazette were clearly part of Prime Minister Turgut Ozal's drive since 1983 to reform trade rules, some protectionism will remain on many luxury goods, including ceramics, ready-to-wear clothing, shoes, porcelain, car bodywork, furs, chandeliers and other goods competing with Turkish factories.

The decree said the number of categories of goods charged the state fund levies would be increased from 577 to 783.

The Finance Ministry said 25 per cent or more of the total income of the state funds would be transferred to the government budget.

The Central Bank's creeping devaluation of the lira has cut its value against the dollar by 2.6 per cent since last Tuesday and brought it marginally down against the Deutschmark.

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Jackson's rhetoric wins hearts of Iowa workers

Stewart Fleming, in Des Moines, looks at the pulling-power of the populist voice

IT IS Saturday and the quarterly meeting of the Iowa State Council of the Association of Machinists and Aerospace Workers union has just heard from three of the seven Democratic candidates for President.

There is only one black face in the room of 100 or so union officials, which is not entirely surprising, for blacks account for only a few per cent of the population of the state which in three weeks will be the scene of the first, and for some, the last test of their Presidential prospect.

"How effective could you be at getting your programme through Congress if you were elected President?" asks one of the union representatives. The question is directed at the Rev. Jesse Jackson, the black leader who has just held his audience spellbound.

He has demonstrated that he alone of the candidates can put into words the frustrations felt by many trade unionists in American manufacturing industry who for much of the past seven years have watched their members' job opportunities wither and their real incomes decline.

It is a question which did not need to be asked. Many in Washington would find it hard to believe it could be asked in all seriousness by a white voter. To say this is not to suggest that the Rev Jackson is suddenly a favoured front-runner as some of the polls suggest. But it does indicate that even in Caucasian Iowa, before he takes his campaign to the urban blacks of the South, he is a candidate who cannot be ignored.

To see that Mr Jackson is having an impact on the Iowa elections one needs only to listen to the speeches of Representative Richard Gephardt, the young blond Mid-Westerner from Missouri, for whom the Iowa caucuses on February 8 are a make-or-break bid for the political stratosphere.

Mr Gephardt is promising voters that legislation he has sponsored in Congress will drive America's trading partners to abandon the practices which are sapping the strength of American industry and bring jobs lost to overseas competitors back to their factories.

But of late, as he has begun to try to solidify his position with the blue-collar workers, his message has taken on a strident populist tone. This has surprised some of his rivals, for in Washington, Mr Gephardt is a pillar of the Democratic establishment and certainly not given to bashing the companies who contribute to his House election campaigns.

"As President, I will not allow corporate America to dismantle our economy, export our jobs, or evade our laws," he says. "My Administration will be the watchdog for the public health and safety, not the lap dog for greedy and selfish interests."

This, without the colour, is the rhetoric of the Rev. Jackson. Indeed, when the seven Democrats held their last full-scale debate here on Friday, Governor Michael Dukakis of Massachusetts accused Mr Gephardt of stealing some of the black candidate's lines.

Iowa's image is that of a farm state. But factory workers will largely determine the outcome of the Democratic caucuses. This explains why Governor Dukakis is assiduously courting service industry workers, and why Mr Gephardt, Senator Paul Simon and the Rev. Jackson were presenting themselves to the machinists on Saturday.

Governor Dukakis and Senator Simon are probable front runners at this early stage, but if some of the unions are giving their loyalty to Senator Simon and Mr Gephardt, the appeal is purely intellectual.

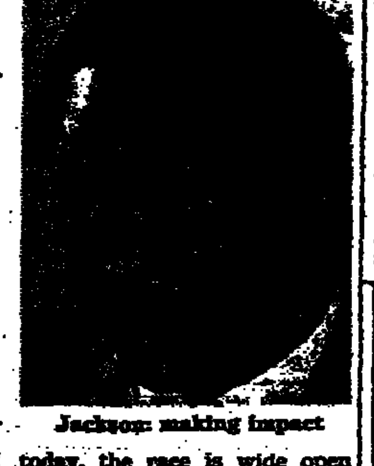
Jesse Jackson is winning their hearts as he recites the workaday reality which impinges on the lives of so many of them. In so doing, he is increasing the pressure, particularly on Mr Gephardt, whose appeal is also to the disadvantaged.

"Most people who are poor, contrary to what is projected on TV and in the media, are not black or brown, they are white and female and young. Forty million in poverty, 29m white," the Rev Jackson says.

"Most poor people are not on welfare...they work every day and when they get through working, they are still in poverty." Not just union officials warm to him. Two or three months ago, Mr Russ Wishman of Cedar Rapids was a Republican. Now he says: "I plan to support Jesse Jackson. We need somebody to stir things up."

The Rev Jackson's campaign is low on finances, he cannot afford the glossy television advertisements or the executive jets some of his rivals use. Moreover, both he and Mr Gephardt could suffer in the voting for, as many of the machinists' union officials have noted, the labour market is strengthening as manufacturing revives.

It needs only a few thousand voters to respond to the Rev Jackson's challenge for him to shock the pundits - and the pollsters



Jackson: making impact

The conventional wisdom in Iowa is that efficient organisation wins the caucuses, but that wisdom will be tested again on February 8. Then we may learn that the candidates have organised themselves into a stalemate, or that, as in other US elections, the decisive factor will be the TV news advertising in the last few days, which sways the undecided.

Certainly, all are agreed that today, the race is wide open and a characteristic Iowa surprise cannot be ruled out.

Many suspect that Mr Gary Hart, lacklustre though he was in Friday's debate, could be the wild card in Iowa. But it needs only a few thousand of the expected 125,000 voters to respond to the Rev Jackson's challenge for him to shock the pundits, and the pollsters, and take another step towards building his working-class coalition.

Sri Lankan finance minister set to quit

BY MERVYN DE SILVA IN COLOMBO

MR RONNIE DE MEL, Sri Lanka's Finance Minister and the man who has been keeping vital aid flowing into the troubled national economy, is expected to resign today or later this week.

It is believed he is being forced to leave the cabinet, of which he is the longest-serving member with 10 years of unbroken tenure, because of growing differences with President Junius Jayawardene and other hard-line Sinhalese in the government over growing violence among Sinhalese youth.

In particular, Mr de Mel has called for the lifting of the ban on the proscribed JVP, an extreme, left-wing Sinhalese Buddhist group threatening an incipient insurgency in the south of the country.

Mr de Mel has consistently called for employment programmes in the south, particularly for the young. He has demanded a dialogue with Mr Rohana Wijeweera, the JVP leader. Mr Jayawardene has taken the view that the JVP must be dealt with ruthlessly. His growing dissapproval of Mr de Mel's public remarks on the subject is thought to be behind Mr de Mel's imminent resignation.

The Sinhalese make up more than 75 per cent of the island's population. There is a large Tamil community with which the Sinhalese majority has been in bloody conflict for more than four years. The largest Tamil group, the Tamil Tigers, was only subdued with the help of the India army. However, the violence simmers on.

Mr de Mel's resignation would shock moderate MPs and other members of the ruling United National Party.

He is considered the man largely responsible for having kept finance flowing into the island's troubled economy during difficult times.

Ronnie de Mel: Esteemed

Mr de Mel is a figure of international standing whose efforts among bankers and aid donors have mnanaged to ensure continued relief for the economy. Last month, he succeeded in raising $470m as special assistance from the Sri Lanka aid consortium. The money will be spent on rehabilitation of the ravaged Tamil north.

Palestinian camps siege to end

A DECISION by Amal, the main Shia Moslem militia, to lift a siege of Palestinian refugee camps in Lebanon has a good chance of ending a conflict in which at least 2,500 people have died, analysts said yesterday, Reuter writes from Beirut.

Mr Nabih Berri, leader of Amal, said on Saturday his decision was a goodwill gesture in support of Palestinian protests in the Israeli-occupied territories.

Earlier truces have collapsed without substantially easing the suffering of 30,000 residents of the three shabby shantytowns but a Lebanese political source said Mr Berri was now under strong pressure from Arab states.

Amal fighters are to withdraw from the fringes of Bourj al-Barajneh and Chatila camps in Moslem West Beirut and Rashidiyeh in the southern port of Tyre, important bases for Palestinian fighters. Nine other camps in Lebanon, militarily less controversial, are not besieged by Amal. The blockade was believed to be embarrassing for Mr Berri at a time when the attention of the world was focused on the plight of the Palestinians.

● Sheik Mohammed Hussein Fadlallah, leading Shia cleric of the pro-Iranian Hizbollah, yesterday denied a British newspaper report quoting him as saying none of the foreign hostages in Lebanon would be freed before Mr Ronald Reagan, the US President, leaves office next year, AP reports. He said he gave no interview by telephone or otherwise to the Sunday Express.

Israeli inflation curbed but target missed

BY ANDREW WHITLEY IN JERUSALEM

INFLATION in Israel during 1987 was the lowest recorded for 15 years, the consumer price index having risen by 16.1 per cent, according to the government's Central Bureau of Statistics.

The figure, released on Friday, shows a modest decline compared with the 1986 inflation rate of just under 20 per cent but was well above the official target of single-digit inflation by the end of the year.

Feverish rises - inflation peaked at 445 per cent in 1984 - were a constant feature of the Israeli economy for a decade to mid-1985, when an emergency stabilisation programme was introduced.

A devaluation of the shekel at the start of the year and real wage increases, fed by automatic cost-of-living adjustments, above the prevailing inflation rate contributed to the relatively disappointing result in 1987.

Mr Moshe Nissim, Finance Minister, welcomed the latest figures, but warned that the single-digit target was unlikely to be reached within the next two to three years.

OBITUARY

Percy Qoboza, black South African editor

MR PERCY QOBOZA, the distinguished black South African newspaper editor, died in Johannesburg yesterday. It was his 50th birthday. He had been in hospital since suffering a stroke on Christmas Day.

Mr Qoboza had the unfortunate distinction of having had more of his newspapers closed by the South African government than any other editor. The first was in 1977 when, following its reporting of the Soweto uprising, The World was closed.

Mr Qoboza was himself detained for almost six months but was released without being charged or brought to court. On his release he was appointed editor of the Post and the Sunday Post. They were closed by the government in 1980 while Mr Qoboza was in Washington.

In 1984 Mr Qoboza joined the City Press, the Johannesburg daily newspaper, as associate editor and became its editor in 1985. City Press, too, has been threatened with closure and direct censorship under South Africa's emergency laws.

Mr Qoboza was a Nieman Fellow at Harvard University, and held honorary doctorates from two American universities.

J.J.

Taiwan keeps on course after Chiang's death

By Bob King in Taipei

A NUMBER of developments over the weekend suggest that Taiwan's policies will remain unchanged by the death last Wednesday of President Chiang Ching-kuo.

First, Taiwan's defence minister and the chief of staff of the armed forces issued statements pledging support for the new president, Mr Lee Teng-hui, and calling on the troops to do the same.

The same day, Mr Ma Ying-jeou, the Nationalist Party's deputy secretary-general, told reporters that the programme of reform begun by Mr Chiang would continue despite "differences of opinion" within the ruling party, and that "the time has come for us to move into high gear to a more advanced stage of democracy".

And on Saturday, the Taipei High Court handed down 10-year and 11-year prison sentences to two men accused of advocating Taiwan independence.

Thus, as if by script, leading government officials have moved to dispel three of the main concerns following Mr Chiang's death: that the military might move against the new government of the Taiwan-born Mr Lee; that the pace of reforms might lag without Mr Chiang to push them through; and that Taiwan might be disposed to abandon the idea of one China without Mr Chiang's fierce commitment to eventual unification.

New Gulf fights indicate Iran on attack

BY OUR MIDDLE EAST STAFF

THE FLARE-UP IN fighting at several points along the Iraqi-Iranian front at the weekend, especially in the mountainous northern sector, indicates that Tehran may be launching its expected ground offensive.

Iraq claimed yesterday that its forces had repelled an Iranian attack mounted early on Friday in the border region of Mawut. A military spokesman in Baghdad said that the attackers had failed to penetrate Iraqi territory and that fighting was continuing.

Iran's official news agency had reported earlier that Revolutionary Guards had captured a chain of strategic heights and six villages, killing and wounding 1,500 Iraqi troops.

At the same time, however, Iran announced that it had agreed to hold a dialogue with the six member states of the Gulf Co-operation Council. Its reply to the GCC proposal of talks was relayed to a senior official of the United Arab Emirates from the Iranian Foreign Ministry last week, said the agency.

In the meantime, Iran seems determined to build up military pressure on the Iraqi front line and resume attacks on Arab shipping in the Gulf, having deliberately shown restraint, it seems, while Syria was trying to initiate a dialogue with the GCC.

Yesterday, Mr Kamal Kharrazi, head of Tehran's war information headquarters, warned of "impending assaults" and called on Iraqi troops to surrender.

The news agency listed the names of 11 heights, and the altitude of 29 peaks between 2,950 feet and 6,000 feet, overlooking the town of Mawut, east of Sulaymaniyah in Iraqi Kurdistan, which it claimed the Revolutionary Guards had captured. The agency also said the guards had crossed the Qalachulan River.

On Saturday, an Iraqi military spokesman said that 22 Iranian soldiers had been killed in ground clashes – 13 on the central sector about 70 miles east of Baghdad and the rest on other sectors. Several civilians had been injured by Iranian long-range artillery at the town of Bimalek in the province of Sulyamaniyah, according to a bulletin which implicitly acknowledged the Iranian pressure in the north.

Iranian attacks on shipping continued in the Gulf at the weekend. Two more attacks followed two reported on Friday. Damage was not extensive and no personnel were killed.

Polls see return of guns and goons

Richard Gourlay in Manila on a campaign strewn with abandoned principles and dead bodies

A CAMPAIGN trail strewn with abandoned principles and the bodies of over 80 candidates and party helpers has marred today's local elections in the Philippines that were billed as a glorious climax to the return of democracy.

President Corazon Aquino, in deploring the deaths, has tried to blame extremists from the left and right. "The enemies of democracy...are out to plunge our country into anarchy and derail the elections," she said at the hospital bedside of one of her candidates wounded by a gunman last week.

But many observers say her attempt to blame extremists rings hollow. Most of the dead appear to have been killed in bitter local political battles that are unrelated, although communist rebels are responsible for some of them.

They demonstrate that the politics described by Mrs Aquino's assassinated husband, Mr Benigno Aquino, as ones where "guns, goons and gold" dominate elections, have returned to the Philippines.

"Ironically, a Filipino will die for a candidate rather than for a cause," says Mr Bonifacio Gillego, a nationalist Congressman who mourns the return of "old politics".

The election of 73 provincial governors, more than 1,600 mayors and thousands of minor officials all but completes the process of returning democratic institutions to the Philippines that began when Mrs Aquino replaced the dictatorship of Ferdinand Marcos in February 1986.

After today's polls, voters will only have to elect district (or Barangay) officials and fill posts in 13 provinces where voting has been postponed because of the threat of violence.

Congressional elections last year, after a new constitution was approved, removed legislative powers from Mrs Aquino, while these polls will replace the appointed local officials.

Mrs Aquino has stuck to her policy of restoring democracy more than to any other, seeing it almost as an end in itself. But the type of politics re-emerging - the "old politics" - has shocked many Filipinos who had wanted a cleaner sweep.

Candidates from her Laka ng Bansa and PDP-Laban administration parties have formed alliances, in areas where there is no natural support, with the politicians who supported Mr Marcos, through his KBL party.

The combination of old tactics, old faces and unholy alliances were what many Filipinos, perhaps naively, hoped had been swept away forever.

However, the gloom surrounding the local elections is taking place against a brighter national backdrop.

Mrs Aquino has rarely looked more secure in her 22 months in power, mainly due to a bubbling consumer-led economic recovery and the capture in December, of Col. Gregorio Honasan, the leader of a near-fatal attempted coup last August. But she will have to face a growing constitutional challenge after the local elections.

Under the rapidly rising star of the Senate president, Mr Jovita Salonga, a one-time stanch supporter of Mrs Aquino, the reborn Liberal Party is using the local elections to rebuild its grass-roots support.

The target is still a long way off - Presidential elections in 1992. But the Liberal Party's expected strong showing in the local elections will tilt real control of power away from Mrs Aquino towards the legislature which, like in the US system, is separated from the executive branch of government.

Already her "rainbow coalition" has broken up and a two-party system seems likely to emerge.

Losing out in this struggle will be Mrs Aquino's ambitious brother, Mr Jose Cojuangco, who leads the likely second party, the PDP-Laban.

Mrs Aquino herself has never shown any great desire to flick the reins of power she holds. Her abdication of responsibility for a land reform programme - which is probably the country's most pressing piece of legislation - to Congress might hand on a politically hot potato but also indicates whom she believes should be initiating policy.

Leading Indian economist dies

By John Elliott in New Delhi

MR L.K.JHA, one of India's most distinguished public servants and an economic advisor to Mr Rajiv Gandhi, Prime Minister, died on Saturday in Pune at the age of 74.

He held senior government posts for more than 30 years and played a leading role in the economic liberalisation policies started by the late Mrs Indira Gandhi in 1980.

Mr Jha will be missed by many friends and colleagues in India and abroad who regarded him as one of the country's most reliable and instructive interpreters and advisors on the Indian economic and political scene, as well as a lively conversationalist and energetic party-goer.

Mr Gandhi said: "We have lost a public servant of rare brilliance, dedication and achievement". Mr Narayan Datt Tiwari, Finance Minister, said Mr Jha's absence from discussions on his annual budget, due at the end of next month, would be "deeply felt".

Mr Jha helped in the 1950s to install India's plethora of planning and industrial controls but, by the end of the 1970s, he was convinced that Indian industry had developed sufficiently to be given more operational freedom and to face foreign competition. Mrs Gandhi put him in charge of her Economic Administration Reforms Commission in 1981.

His first senior post was as Secretary of Heavy Industry in 1955, after which his jobs included being Secretary for Economic Affairs, Governor of the Reserve Bank of India, and ambassador to the US. From 1973 to 1981 he was Governor of Jammu and Kashmir. He was also a member of the Brandt Commission on international development.

Accord on EC set-aside plan likely today

BY TIM DICKSON IN BRUSSELS

EUROPE'S Farm Ministers gather in Brussels today with tentative signs emerging of a growing consensus on at least one key element of Common Agricultural Policy (CAP) reform.

Diplomats and European Community officials indicated over the weekend that tangible progress had been achieved at last week's meeting of senior farm experts from the member-states on the European Commission's new plan for a *set-aside scheme - essentially* paying farmers who volunteer to take part of their arable land out of production.

Serious differences remain on some detailed points but as one national expert close to the talks pointed out: "After the first discussion between member-states, just about everybody agrees it is an essential part of any package of agricultural measures. At least things are going in the right direction."

The set-aside idea has been put on the table in Brussels in an effort to unblock some of the objections to the Commission's proposals for agricultural stabilisers - automatic price cuts which would be imposed on farmers once specific output targets had been breached.

Agreement on these and other long-term reforms of the EC's *budgetary system* are urgently needed at next month's emergency summit of EC heads of Government in Brussels if the Community's looming financial crisis is to be averted.

Most member-states at this stage favour the Commission's idea that farmers should have to set aside at least 20 per cent of their arable land for a minimum of five years to qualify for the compensation payments.

Significantly, the West Germans, at whom the scheme is primarily aimed and who initially voiced objections to the 20 per cent figure, appear to be softening their stance, though they are not alone in arguing that producers should have the option to drop out after three years.

There are fewer signs of agreement on the rates of compensation that should be paid to farmers participating in the scheme.

The Commission's idea that the Community budget should finance between 15 and 50 per cent of payments depending on their size - with national budgets making up the difference - appears to be pitched between the expectations of West Germany and the smaller member-*states which want a bigger slice* from Brussels and those which are keen to limit the Community's contribution.

The toughest parts of the negotiation are likely to centre on whether the money comes from that part of the EC budget earmarked for price support or from the section devoted to structural measures.

This is more than a technical issue and is likely to raise fundamental differences of principle between the member-states.

In their pivotal role as President of the EC Council of Ministers, the West Germans are unlikely to present a new compromise proposal this week but the possibility of another Farm Council next week remains open.

Officials say that Mr Ignaz Kiechle, the West German Farm Minister, will try to limit any discussion on stabilisers this time to the proposals for cereals, oilseeds and protein crops such as peas and beans.

West Germany climbs down over purity of sausages

BY WILLIAM DAWKINS IN BRUSSELS

THE West German Government has made a significant climbdown from what it sees as its traditional right to protect the Federal Republic's frankfurt-loving citizens against less wholesome foreign meat products.

Bonn has promised to change its meat purity laws to allow the import of meat containing a popular vegetable additive widely used to give a firm consistency to the savoury jelly found in pies, tinned beef and ham. As a result, the Commission has temporarily suspended a court case against the Bonn authorities for banning the import of tinned Italian luncheon meat in contravention of EC free trade laws.

Like West Germany's unsuccessful legal battle last year to keep out "impure" foreign beer, this dispute touches on emotive national feelings, both on the purity of food and drinks and on the future of the West German *länder*, which administer food laws and which have been growing increasingly worried about seeing their powers usurped by the national Government and by Brussels.

The meat wrangle arose two years ago when West German health authorities impounded several consignments of tinned meat from the Italian foods group, Simmenthal, on the grounds that it contained a vegetable solidifier known as ager-ager, banned by national food purity regulations. Ager-ager helps to stop the savoury jelly that gives luncheon meat is peculiar consistency from melting too easily.

Despite any understandable reservations that discriminating German meat eaters might have about jellified corned beef, the Brussels authorities had more sympathy with the plight of the hapless Simmenthal. The Commission has on its side last year's landmark judgment by the European Court of Justice that West Germany had no right to stop the sale of beer containing additives.

Certain quarters in Bonn are understood to feel that the defeat on beer means the meat case is not even worth fighting.

West Germany's new food legislation, due to be published in March, is expected to allow imports of ager-ager, though officials say the new laws will leave untouched the country's general national ban on additives in imported meat.

Even so, this has impressed the Commission so much that it has asked the European Court to suspend the first round of the case, the oral hearing, which was due to take place on January 27. However, Commission officials stress that this is not the end of the story. "This is only a test case. We see it as the first step towards trying to bring down the whole German prohibition on additives in meat products," says one.

Brussels starts to take Strasbourg more seriously

Tim Dickson reports on a shift in the balance of EC institutions

UNTIL RECENTLY most people in Brussels tended to be rather rude about the European Parliament.

Derided for the absurd, if sometimes colourful antics of of its more idiosyncratic members, dismissed as a forum for frustrated or failed politicians with a keen eye still on their local press, the Strasbourg assembly has exercised little real influence over European Community decision-taking except during the two months of each year when the Community painstakingly negotiates its budget(or not as the case may be).

As Members of the European Parliament prepare for next week's first plenary session of 1988, however, there is a distinct feeling that this may be changing and that the balance of power between the three institutions in the EC's legislative process — the parliament, the European Commission and the Council of Ministers — may be subtle but significantly moving in the direction of elected representatives.

The shift stems from new provisions in the Single European Act, that inelegantly named amendment to the Treaty of Rome introduced with a fanfare of Euro-enthusiasm in July last year.

The Single Act — among other things — gave the Parliament potentially far reaching rights to amend measures proposed by the Brussels executive as well as authority to alter agreements between the Council and non-EC countries.

The most important new power is probably the so-called co-operation procedure (modelled on the West German relationship between the Bundestag and the Bundesrat), which enables the Strasbourg assembley to alter certain legislative proposals in a new second reading — where such changes are accepted by the Commission, member states in the Council can only reject them again through a unanimous vote.

The significance of the co-operation procedure is that it covers measures designed to bring into effect the internal market and will thus be an important weapon in the run up to the 1992 deadline.

The other main new power is the assent procedure, which gives the Parliament an effective veto over the accession of new member states to the Community as well as over new trade agreements with so called "third" countries. In such cases the Strasbourg assembly must muster an absolute majority of all their members (260 votes).

Over the last six months' MEPs have flexed their new muscles on several significant issues, but while figures show that around 83 per cent of the 206 amendments they made to proposals in first and 85 per cent of the 24 changes in second readings have been accepted by the Commission, they have so far failed to make much of a mark on completed legislation. This has been partly a question of time, partly one of lack of experience.

Three clashes, however, illustrate the way in which the Commission and the member states are feeding the EP into their calculations: the vehicle emissions package, post-Chernobyl food radiation levels, and the Race research programme.

In the car emissions case Parliament voted for tougher restrictions than in the original proposal, introducing changes which the Commission was ultimately unable to accept. The Brussels argument was that the EC's car industry had already geared up to cope with the more modest standards of the original package and that member states would not accept the Strasbourg revisions (with the result that even the more modest requirements would not come into being). Much care was taken by the Commission to justify its case and the displeasure of the MEPs was duly noted.

On food radiation standards, Parliament wanted to change the legal basis of the directive so that it fell within the scope of the co-operation procedure. Again the Commission refused to play ball but not without pausing for thought and carefully examining the arguments on both sides.

The Race question was even more theological, touching on the deeply sensitive dispute between the Commission and the member states over what sort of committee should be set up to supervise research into broad band telecommunications. The parliament ultimately came down on the side of the Commission only to have its amendment unanimously rejected by the Council.

If all these ended in ultimate defeat, the assembly's use of the assent procedure just before Christmas to delay the EC-Turkey agreement — on blatantly political grounds because of the treatment of political prisoners — can count as modest if largely symbolic victory. The signs are that given the problems in Gaza and the Occupied Territories there could be similar opposition this week to new protocols to the existing EC-Israel trade accord.

The main significance of the last six months is that the Commission and (to a lesser extent) the Council are starting to take parliament much more seriously. The Commissioners, of course, are ever mindful that the parliament's ultimate sanction — "like a nuclear deterrent, probably better never used", says one observer — is a vote of censure which would leave them out of a job.

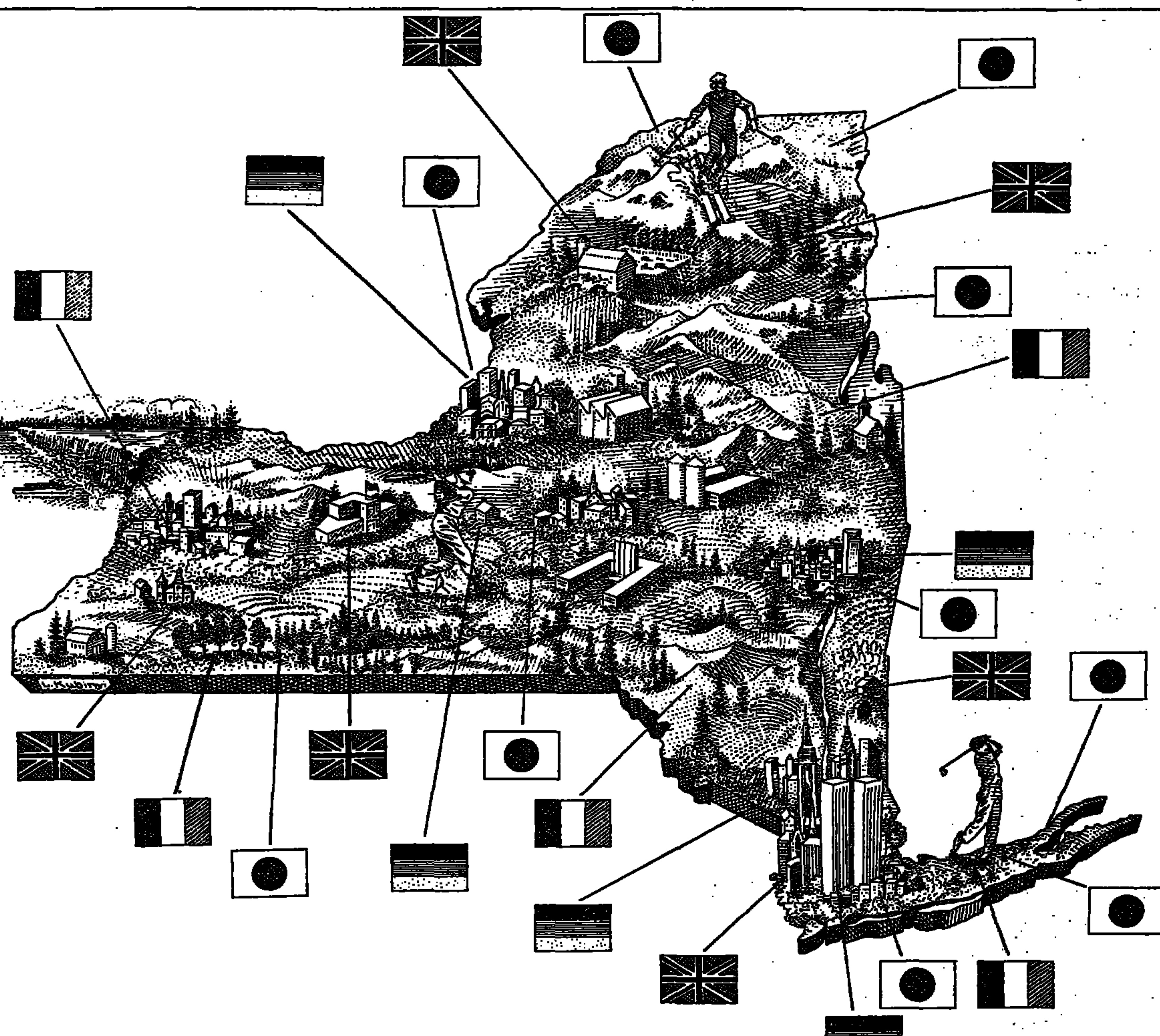
The parliament for its part, according to diplomats and officials, is also responding to the challenge of playing a bigger legislative role, with the revision of its rules of procedure under the guidance of the British Conservative MEP Mr Christopher Prout widely seen as an important development. That should mean relatively fewer grand debates on issues where they have no direct say, and more concentration on the nitty-gritty of legislation.

Many observers feel that the different parties must work more closely together, a point which seems to be confirmed by rumoured behind the scenes negotiations between the large Socialist and Christian Democrat blocs.

Italian rules barring non-nationals from access to publicly funded housing and specially reduced rates of credit have been judged discriminatory by the European Court of Justice, Tim Dickson writes.

The decision was immediately welcomed in Brussels by the European Commission on the grounds that it reaffirms the equal rights of all Community citizens to freedom of establishment within individual member states under Article 52 of the Treaty of Rome.

The judgement follows a complaint by a Belgian that his request for credit to finance a house purchase at Mordano had been turned down.



Pledge to speed grain buying

BY TIM DICKSON

THE EUROPEAN Community has promised to speed grain purchases from the US in an attempt to meet its side of a political bargain over maize imports to Spain.

The deal with Washington, which provides for a guaranteed quantity of 2m tonnes of corn and 300,000 tonnes of sorghum a year for four years - was struck early in 1987, after bitter negotiations between the two blocs over the effects of Spanish membership of the EC.

The nub of the US case was that a significant and long-standing export market for its farmers was newly threatened by the Community's protective import levies and that realistic compensation should thus be provided.

The trouble is that with only six weeks to go before the end of the first deadline, EC purchases only total 800,000 tonnes - 400,000 tonnes of actual corn and 400,000 tonnes of cereal substitutes such as corn gluten and citrus pulp which can be offset under the terms of the agreement.

This leaves 1.2m tonnes to be delivered before the end of February, a commitment which, practically speaking, cannot be honoured.

US negotiators have clearly been irritated by what they consider the clumsy handling of the situation in Brussels and they have been under some pressure from domestic agricultural lobbies to take a tough line.

However, it has now been accepted by both sides that the actual purchases will be made before the end of February, and that delivery will be completed before the end of June.

There are two ways in which the EC can meet the agreed target - both by forgoing part of what Brussels would normally collect in import levies through an abatement system, thus making US grain more attractive to buyers, and through direct purchases under the tendering procedure by the Spanish Intervention Board.

Originally Spain was extremely anxious about applying the variable import levy on the grounds that this keeps out cheap imports which its farmers need for animal feed.

The Madrid Government, however, now appears to be more conscious of the interests of its feed grain producers and their appetite for higher prices, and according to some reports is not unhappy at the slow progress in implementing the agreement so far.

Cocoa price support revived

BY DAVID BLACKWELL

THE International Cocoa Organisation in the early hours of Saturday morning finally succeeded in hammering out an agreement under which the *price support mechanism* – suspended since last June – will be brought back into operation.

Prices are expected to rise today – but the world is oversupplied with cocoa, and analysts believe the price support package will fail in the long –term to counter the impact of excess production on prices.

Last week's three-day meeting marked the fourth attempt by cocoa producers and consumers to get the buffer stock working and halt the slide in cocoa prices, which have fallen to historic lows in real terms.

The two sides agreed to cut the ICCO buffer stock support prices, which are measured in Special Drawing Rights over a 15-day average, by 115 SDRs to 1,485 SDRs for the "must buy" level and to 2,155 SDRs for the "must sell" level. The indicator price stands at the moment at just over 1,420 SDRs, allowing the buffer stock manager to resume purchases immediately.

If he has sufficient funds he will be able to buy another 75,000 tonnes of cocoa before reaching his limit of 250,000 tonnes. However, the Ivory Coast and Brazil together owe about $36m to the buffer stock at the moment, leaving it with sufficient funds for only 70,000 tonnes.

The buffer stock already holds 175,000 tonnes, made up of 75,000 tonnes bought in May and June last year and 100,000 tonnes carried over from the previous cocoa agreement. The organisation also agreed on rules for the operation of a withholding scheme which could take a further 120,000 tonnes of cocoa from the market.

However, dealers are predicting a surplus of between 75,000 and 100,000 tonnes this season. Although cocoa *consumption* is rising, the market is faced with the prospect of a fifth successive year of supplies outstripping demand in 1988/89.

ICCO has also not solved the problem of producers outside the agreement, such as Malaysia and Indonesia, which still find it profitable to plant more cocoa bushes in spite of the low level of world prices.

SHIPPING REPORT

Timecharter rates at new peak

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

RATES continued to rise in both the dry cargo and tanker markets last week, though demand weakened slightly for very large crude carriers (VLCCs).

Denholm Coates, the London brokers, said dry cargo owners had "a tremendous week" as both timecharter and voyage rates rose to new heights.

Among the most notable features of the market was the willingness of Soviet charterers to pay daily rates in excess of $12,000 (£6,666) for transatlantic round trips. Some Atlantic rates have now risen by up to 50 per cent over the past six weeks.

Brokers said this rate of increase was unlikely to be maintained, but heavy forward demand for Panamax vessels indicates strong market confidence that higher prices will be maintained.

In the tanker market, E.A. Gibson, the London shipbrokers, said demand was far more bouyant than expected, although the frenetic activity of the first week of the New Year had abated.

The increase in demand in the dry cargo market has fed through into the tanker sector as a result of the reduced willingness of owners to move combination carriers into the oil trades.

Brokers said this would help to maintain the momentum of rate increases in the tanker market, but warned that uncertainty caused by continuing fluctuations in oil prices could hit demand for the bigger ships.

This was evident in the Gulf, where only a few VLCC fixtures were reported, including 235,000 tons from Ras Tanurah to Brazil at Worldscale 33.75.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

	Dec.'87	Nov. '87	Oct.'87	Dec.'86
UK 000's	2,695.8	2,685.6	2,751.4	3,229.2
%	9.7	9.7	10.3	10.3
	Nov.'87	**Oct.'87**	**Sept.'87**	**Nov.'86**
W. Germany 000's	2,133.1	2092.71	2,107.1	2,067.7
%	7.8	7.6	7.7	7.5
USA 000's	7,166.0	7,174.8	7,089.8	8,243.0
%	5.9	6.0	5.9	6.9
Italy 000's	3,325.0	3,328.0	3,326.0	3,180.0
%	14.3	14.3	14.3	13.7
Netherlands 000's	679.9	683.2	687.1	691.9
%	11.8	11.9	12.0	12.1
Belgium 000's	499.7	510.7	515.6	525.0
%	12.1	12.4	12.5	12.7
France 000's	2,670.4	2,697.2	2,673.6	2,673.4
%	11.4	11.5	11.4	11.4
Japan 000's	1,660.0	1,600.0	1,660.0	1,610.0
%	2.7	2.6	2.7	2.9

Source: (except US, UK, Japan) Eurostat

Liberals, SDP reach accord on policy document

BY JOHN HUNT

AFTER TWO days of discussion the small special negotiating team from the Liberal Party and the Social Democrat Party announced last night that it had reached unanimous agreement on a new policy document for a merger which it was confident would be acceptable to both parties.

But the agreement, which will have to be considered by the full negotiating teams from both parties today was reached against a background of increasing dissent and opposition to the merger amongst the Liberal rank and file.

Earlier in the day Mr Steel, leader of the Liberal Party, said on television that if the new merger package was rejected then the party would have to elect a new leader. He indicated that he would be prepared to contest such a leadership election.

A Liberal group calling itself "the grand coalition", which is opposed to merger, met in London yesterday and later said that it now has a chance of defeating the merger proposals when they go before a special Liberal Assembly for approval in Blackpool next week, presuming that they are approved today by the negotiating group.

Mr Roger Hayes, a London councillor for Kingston Upon Thames and spokesman for the group, said that the position of Mr David Steel was now untenable and that he should resign following last week's policy debacle.

Mr Des Wilson, former president of the Liberal Party, who led his team in the negotiations over the weekend, last night emerged from the prolonged meeting to announce that unanimous agreement had been reached on a policy document that could be commended to the two parties.

Details would not be given until the full negotiating team had a full chance to consider them but it was hoped to announce them tomorrow.

He said that Liberals should realise that he had kept to the brief he had been given, and the deal was one which they could accept and which would achieve the objective of a new merged party.

Mr Edmund Dell, a trustee of the Social Democrat Party, who led his side in the negotiations, agreed that it was a platform on which both sides could positively unite.

They refused to elaborate on the package. It was not known how the team, which had three on each side, had solved the difficulties posed by the controversial policies which had been put forward in last week's joint declaration.

This included retention of Trident missile, extension of VAT, and the abolition of mortgage tax relief. Many Liberals were indignant at this inclusion which was contrary to their party's policies.

There were indications yesterday, from comments made by prominent party members, that some of these commitments had been discreetly modified and put on the back burner for possible future discussion nearer the date of a general election.

Mr Steel again urged the necessity of a merger and Mr Robert MacLennan, the SDP leader, had taken a similar line during an earlier television interview. Mr Steel said that if the package is rejected it would then be sensible for the party to elect a new leader.

Health authorities drop equal pay appeal

By David Brindle

THE GOVERNMENT'S difficulties over the National Health Service have been compounded by a move, disclosed today, that clears the way for 800,000 women NHS employees to bring claims for equal pay for work of equal value.

Three health authorities have dropped legal proceedings that were, in effect, blocking any case brought by a health service worker under the 1983 equal-value legislation.

NHS pay structures are considered acutely vulnerable to equal-value claims. The National Union of Public Employees has prepared model claims which, it says, could win rises of up to £2,000 a year for nurses doing jobs deemed to be of equal value to those of other, male, NHS workers such as electricians or technical officers.

This fresh pressure on the Government follows a weekend in which the performance of Mr John Moore, the Health and Social Services Secretary, came in for sharp critical scrutiny in the press.

The lifting of the block on equal-value claims affects immediately more than 1,200 claims lodged by women speech therapists.

A test case brought by three speech therapists had been held up by a defence by their health authority employers that the equal-value legislation did not apply in the NHS. The High Court had ruled against this defence last October, but the authorities appealed.

However, the Health Department last night confirmed that the three authorities – Bexley in Kent, Frenchay in Bristol and South Glamorgan – had withdrawn their joint appeal.

The NHS is most exposed to equal-value claims by nurses. In their evidence to the profession's pay review body, the nursing trade unions have asked for the principles of the legislation to be taken into account in determining salary rates for the proposed revised nurses' grading structure.

If the unions are dissatisfied with the result, they could unleash thousands of individual equal-value claims.

Electricity board may lose grid

By Max Wilkinson

MR CECIL PARKINSON, the Energy Secretary, hinted strongly yesterday that the Central Electricity Generating Board will lose control of the national transmission grid when the power industry is privatised.

In an interview with BBC television he said that the CEGB now recognised that the grid could be owned separately from the power stations, even though the board has been arguing that the two must be kept together.

The board believes the risk of power cuts and higher costs would increase if a major change were made in the way that the controllers at the national grid centre switch power stations in and out of the system.

Although Mr Parkinson would not reveal his plans for the industry, he appeared to accept the need for the grid to retain this central role. However, he said that once it was agreed that different people could own the power stations and the high voltage grid which interconnects them, "it is possible to introduce competition into the generating side of the industry, and my proposals will show that this can be done."

Mr Parkinson said he did not believe that splitting up the CEGB's monopoly over the generating side of the industry would mean that a higher margin of spare plant would be needed for emergencies.

John Gapper looks at the shift in work practices in Livingston

A frosty climate for unions

MS LIZ Murgitroyd works fixing chips to printed circuit boards in Mitsubishi's video recorder manufacturing plant at Livingston, West Lothian in Scotland. She does not belong to a union; she and her immediate workmates are members of a "quality circle" calling themselves the Material Girls.

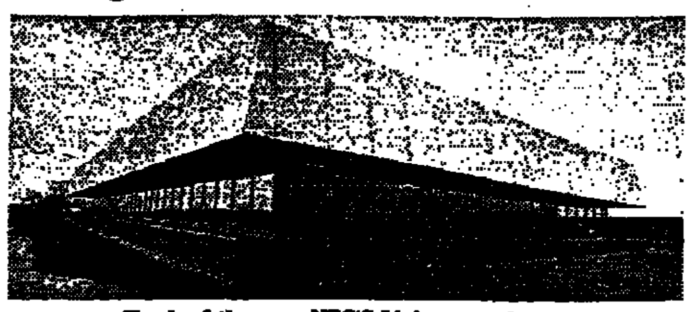
A chart overhead rates her weekly performance, while another at the end of her assembly line shows that of her quality circle. Among the Material Girls' competitors are The Young Ones, The Maniacs, Thunderbirds and the Misfits.

The pop culture names have been chosen by workers whose average age is just over 18 and two thirds of whom are female.

The Material Girls, their competitors and the structure of quality circles exemplify some of the different working conditions introduced to Livingston by the US and Japanese companies which have settled there during the 1980s. Flexibility and performance have been emphasised. Unions have overwhelmingly been given a frosty reception.

The contraction of manufacturing and mining in West Lothian has made it one of Britain's unemployment blackspots. But the number of permanent jobs in Livingston – 15,719 last year – is expected to continue growing at the rate of 940 a year.

Yet most unemployed semi-skilled workers take little comfort from Livingston's growth. Arriving companies have shown particular interest in only two groups – skilled workers who are already employed and school-leavers.



Shock of the new: NEC'S Livingston plant

Mr David Balfour, commercial director of Livingston Development Corporation, says that the latter are seen as "uncontaminated" by traditional working practices and by British shop stewards.

Mr Ernest Barnard, operations director of Ferranti Infographics, a small Livingston software company, says: "This area has been notoriously highly unionised over the years and employers tend to think that if you have been in a union environment, it will have worked its way into you."

Two Japanese companies, Mitsubishi and NEC Semiconductors, have a policy of recruiting only teenagers as assembly workers. They say they want adaptable workers without preconceived ideas about working practices.

At Mitsubishi, 280 operators work a 39-hour week assembling video recorders. Some Japanese working traditions, such as managers wearing uniforms and compulsory physical exercises in the morning, have quietly been dropped. But the emphasis on performance remains.

Operators at the group over 18 years old earn between £116.50 and £130 a week and receive annual pay awards varying around 8 per cent, depending on their performance.

The company introduced quality circles, an split workers into teams which strive to hit performance targets for attendance, housekeeping and product quality.

Mitsubishi has firmly resisted approaches from the EETPU electricians' union, arguing that the company's own elected staff consultative committee – which meets monthly to discuss workplace issues and prepares an annual wage claim – eliminates the need for union recognition.

NEC, meanwhile, employs about 280 workers with an average age of 18½. Mr Bill Gold, personnel manager, says the company links its emphasis on company loyalty to and from employees to its rebuff to the EETPU. He says the company needs young workers open to frequent retraining.

Such a targeted selection process is not, however, found at all of Livingston's foreign-owned non-union plants. Unisys, the US company, employs several former employees of Leyland Vehicles at nearby Bathgate – a plant with a history of turbulent industrial relations before its closure in 1986.

Unysis, which employs 250 hourly-paid workers from a wide age range, describes slightly differently its relationship with employees and reasons for rejecting unions, holding the philosophy that it can cater better for staff needs than third parties.

The combination of single-status working conditions, performance-related pay and non-unionism has proved potent even to UK companies. Livingston Precision, a small contract engineering company, has abandoned recognition of the Amalgamated Engineering Union. Workers there are paid a monthly salary based on performance.

Are workers happy with new ways of working and the pressure of meeting performance targets? Ms Murgitroyd says: "Sometimes it gets me down, but it's OK. I reckon I'm lucky to have a job – a lot of my friends from school don't."

BT set to announce fibre optic network

By David Thomas

BRITISH TELECOM is about to announce the entry into service of a £70m network offering improved business communications in the City of London which it believes will help see off the challenge by Mercury Communications, its network rival.

BT has also decided to extend the network into the London Docklands development east of the City at a cost of £30m.

The new service, known as Flexible Access System, allows customers to be connected directly to a specially constructed fibre optic network, the telecommunications technology which improves the speed, quality and reliability of calls.

This is the first time BT network customers will be directly connected to fibre optic.

The FAS service in the City will begin by covering private circuits, widely used by businesses for voice and data communications both internally and with major customers or suppliers.

BT says it intends to extend the service to its public voice and data network.

BT has been at some disadvantage in the City, where the competition between the two network operators is at its fiercest, because Mercury has a new fibre optic network at its disposal.

Motor industry deficit on external trade worsens

BY JOHN GRIFFITHS

THE UK MOTOR industry's deficit on its external trade worsened again, in value terms, in the third quarter of last year after a first-half improvement.

But the industry remains optimistic about the underlying volume trends for cars and commercial vehicles, in which the growth of unit exports is continuing to outpace imports.

The third-quarter deficit on all motor trade products, at £1.14bn, was £57m worse than in the second quarter and £119m worse than in the same period of 1986.

In the first nine months of the year, the deficit rose to £3.09bn, up £74m on the same period of 1986.

The rate of growth of all motor industry exports reached 21 per cent in the third quarter, compared with 17 per cent for all imports. However, the higher absolute value of imports was enough to produce a further deterioration in the total deficit.

Car exports rose by 25 per cent in volume and 50 per cent in value in the third quarter, and by 19 per cent and 47 per cent respectively for the nine months.

According to Mr Geoffrey Pelling, a Society of Motor Manufacturers and Traders economist, this improving trend appears set to continue as the result of favourable exchange rates and the UK industry's continuing production recovery.

The SMMT expects car output this year to exceed 1.2m, compared with about 1.14m in 1987 and a post-war low in 1982 of 880,000.

Parts and accessories, by far the biggest individual component of the balance of trade figures, continue to reflect the big inroads into the UK market made by imported cars and trucks in the early and mid-1980s. Those now require, and will continue to require, increasing volumes of replacement parts as they age.

UK MOTOR TRADE (£m)

	Third quarter 1987	Third quarter 1986	First nine months 1987	First nine months 1986
Exports (fob)				
Cars	443	296	1372	933
Commercial vehicles	94	73	294	255
Parts,accessories	674	618	2136	2000
Other	217	190	657	618
Imports (cif)				
Cars	1313	1177	3813	3705
Commercial vehicles	207	205	635	639
Parts,accessories	932	730	2790	2180
Other	117	87	315	301
Trade account				
Cars	-870	-880	-2441	-2772
Commercial vehicles	-113	-132	-341	-384
Parts,accessories	-258	-112	-654	-180
Other	100	104	342	318
TOTAL	-1141	-1022	-3094	-3020

Source:SMMT from Customs and Excise data

Dollar fall hits tractor profits

BY NICK GARNETT

THE RECENT change in the value of the dollar has depressed profit margins of Ford New Holland's British farm tractor manufacturing operations, Mr Geoff Tiplady, chairman of the company's UK business, said yesterday.

He declined to quantify its impact, but the effect has essentially been on exports to Ford's home market in North America.

Ford recently ended tractor making at its large Romeo site in the US and transferred that plant's production to Basildon and Brazil.

Mr Tiplady said he still believed it was right to transfer tractor production from Romeo to Basildon. The company was going ahead with its plan to transfer production of industrial tractors from Romeo to its factory at Antwerp, Belgium.

Ford still makes its Versatile range of large four-wheel drive tractors in North America.

Other tractor makers have suffered from the dollar's slide. Massey-Ferguson and Case manufacture in the UK most of their tractors for the US market while Deere, another North American maker, produces most of its tractors below 120hp in West Germany.

Mr Tiplady said he expected the UK tractor market to improve marginally this year over 1987. Sales last year totalled 19,689, a rise of 4.6 per cent over 1986 and the first increase since 1983.

Production at Basildon increased by 35 per cent last year. Total production of fully assembled tractors and those in kit form was 59,750. Of those, 54,906 were exported.

Sales of Basildon-made tractors were £418m against £328m previously.

Ford and unions attempt to save plant

BY JOHN GRIFFITHS

FORD has joined forces with five unions in an attempt to prevent closure of its components plant at Croydon, south London.

The lease for the site, on the former Croydon airport, expires at the end of this year and closure would cause the loss of 300 manufacturing jobs.

Property group MEPC, the site owner, has applied to Croydon council to redevelop it for retail warehousing. Ford learned of the plan when MEPC filed a redevelopment application with the local authority before Christmas.

Ford and the unions are asking the council, local MPs and Mr John Moore, Social Services Secretary, in whose constituency the site lies, to ensure that MEPC's application is refused or an alternative site found.

MEPC says in its planning application that its scheme would create 150 male and 400 female jobs. It has already offered one alternative site, although Ford and the unions say it is too close to a residential area for the plant's activities, which include the use of hammer presses.

Components produced include window winders and seatbelt anchorages for 25 Ford plants, 16 of them outside the UK.

Unions represented at the plant are the AEU engineering union, the EETPU electricians union, the GMB general union, MSF, the union being formed by the merger of white-collar union ASTMS and manufacturing union Tass, and the TGWU transport union.

They say the area could ill afford the loss of skilled manufacturing jobs.

Consumers find room for the dishwasher

By Christopher Parkes, Consumer Industries Editor

DISHWASHERS are finding favour in British kitchens after more than 25 years of sluggish sales.

Household purchases in 1987 rose by more than 20 per cent, according to early estimates from the Association of Manufacturers of Domestic Appliances.

After the 30 per cent increase in manufacturers' deliveries to retailers during 1986, last year's advance suggests that the market "is about finally to meet in full its earlier promise," Amdea said.

Deliveries of 350,000 machines in 1986, worth £90m at retail prices, followed by 259,000 shipped between January and August last year, indicate that consumers' objections may have been overcome.

If so, there may be several years of strong market growth to come. Only 7 per cent of UK households have a dishwasher, compared with 40 per cent in the US, 29 per cent in West Germany and 36 per cent in Sweden.

However, one restraining factor remains. British kitchens tend to be far smaller than their US counterparts and tend to lack the space for larger appliances other than a washing machine and a refrigerator.

Never high on household shopping lists, dishwashers have in recent years been passed over by many consumers who favoured the attractions of novel appliances and equipment such as microwave ovens and video recorders.

Other common objections have been cost and the widespread belief that a dishwasher would not be used often enough to justify its purchase. Amdea notes that since about 30 per cent of current sales are replacements, people who have had a dishwasher are reluctant to do without it.

The market's buoyancy has attracted suppliers from Europe, and there are now 38 brands on sale in Britain.

West Germany and Italy account for 80 per cent of machines sold, with Spain shipping a further 10 per cent. Hotpoint, the GEC subsidiary, and Candy of Italy have recently started manufacturing in the UK, to become the first domestic sources since the start of the 1980s when Hoover pulled out of dishwasher making.

Legal & General plans to invest £170m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

LEGAL & GENERAL Assurance, one of the five biggest private-sector property owners in the country, will invest at least £170m in property this year, largely through developments of land and buildings it already owns.

Mr Peter Sim, managing director of Legal & General Property, said yesterday that the group had £170m of property development in hand and that this year there was a greater likelihood of an increase than a decrease.

That level of investment has been maintained for the past three years, during a period when there was a tendency for financial institutions to run down their property investment in favour of equities.

Legal & General has a £2.5bn property portfolio. Its moves in the property sector, combined with the attitude of other financial institutions, are being watched with interest after last October's collapse of the equity market. Industry analysts have predicted that the institutions will switch more funds from the equity to the property market.

The latest figures from the Department of Trade and Industry showed that institutional interest in property was starting to pick up even before the equity market collapse. Pension fund purchases in the 1987 third quarter reached a record of £445m and were £108m more than sales. In the first half, sales were consistently greater than purchases.

However, Debenham Tewson and Chinnocks, the surveyors, noted that insurance companies had been accelerating their rate of property disposals and in both the second and third quarters raised more than £600m from property sales.

Legal & General would be selective about buying completed property developments, Mr Sim said. Its main thrust would be the development of existing properties with an emphasis on the retail sector.

There might be investment in industrial property in the south-east.

In the south-east a shortage of light industrial and warehouse accommodation had emerged as most developers opted to construct high-technology buildings for mixed use to obtain a better return on high land costs.

The group will test the strength of the central London office market next week with the marketing of Lansdowne House, its flagship building of 175,600 sq ft, designed to provide corporate headquarters.

Lansdowne House, Berkeley Square, is the biggest office development in the Mayfair-St James area and likely to be the most expensive. Potential tenants will have to pay about £60 a sq ft, which would put its rental level higher than most City office blocks.

In the atmosphere of uncertainty that has prevailed in the City since the equity market collapse and the decisions of, mainly, the US securities houses to trim their staff, Mr Sim predicted that rental growth would continue this year, although not at the same rate as in 1987.

There have been recent lettings in the City, at Watts City Tower, of more than £70 a square foot, showing that the pace so far has not slackened. The demand was still there, Mr Sim said. Events since October "clearly affected peripheral schemes which will strengthen demand for the core of the City," he suggested.

At the same time, Legal & General has singled out Leeds, Glasgow and possibly Birmingham as cities where office rents might show perceptible growth.

However, the group will not put funds into subsidised enterprise zones and inner-city areas. It is concerned that once the tax holidays have finished, leaseholders will feel constrained about meeting both a higher tax bill and paying higher rents.

Top-level decision on Nato frigate expected this week

BY LYNTON McLAIN

A CABINET committee chaired by the prime minister is expected to decide this week whether Britain should join the £8bn NFR-90 programme to replace Nato frigates in the 1990s, three months after six other nations, including the US, agreed to take the project to its next stage.

The NFR-90 project is to develop Nato's first common ship. This would be a guided missile frigate with an as yet undefined missile system, to be used by the US, West Germany, Italy, Spain, Canada and the Netherlands.

Britain and France did not sign the memorandum of understanding but they have until the end of February to decide on their commitment. The Ministry of Defence has decided to support Britain's joining the project, but officials in the Treasury are understood to be against any commitment at this stage.

The MoD would want 12 of the frigates, costing about £150m to £160m each at current prices, to replace the Royal Navy's Type 42 destroyers.

The Government was concerned in October, when the memorandum was signed by the other Nato members in the frigate partnership, that studies for the ship's weapons system and for the ship itself, were not in phase. The ship studies were going ahead more quickly than the studies on the weapon system.

The Treasury is understood to be concerned that there is still a danger of Britain committing itself to a frigate before it is known whether the vessel's missile system will be ready in time for the first ships entering service in in the late 1990s. Treasury officials are still smarting over the apparent mishandling of the Nimrod airborne early warning radar aircraft project, cancelled over a year ago after nearly £900m had been spent.

The overseas and defence committee of the Cabinet is to meet on Thursday to decide if Britain should add its signature to the memorandum of understanding, which gives the go-ahead for the next stage, project definition. That will say what the ship should look like and what it should do.

Each signatory nation will have to contribute about £10m over three years during the project definition stage.

Britain has so far contributed £1.7m to the feasibility study stage of the NFR-90 frigate project, through the Supermarine Consortium, a company formed by nine leading UK defence contractors.

The consortium comprises British Aerospace, VSEL, Vosper Thornycroft, Yarrow Shipbuilders, Rolls-Royce, Ferranti, Thorn EMI Electronics, Plessey UK and Racal Decca.

Awareness of satellite TV 'high'

By Raymond Snoddy

PUBLIC AWARENESS of satellite television is extremely high, according to a survey by Marketing Direction, consultants, and Gallup, the opinion-poll body.

The survey found that 93 per cent of the public knew of satellite television's existence and 82 per cent of all adults knew it was possible to receive satellite television broadcasts in the UK.

Marketing Direction has tracked introduction of consumer goods such as the video-recorder and compact disc.

It believes "1988 ought to be the year when satellite television is properly introduced to the British public as a serious proposition."

Astra, the 16-channel television satellite project based in Luxembourg, is due to be launched this year.

British Satellite Broadcasting, the UK direct-broadcasting-by-satellite venture, is due to launch in autumn next year.

The survey shows that more than three in four of those questioned know they will need special equipment to receive satellite television and will have to pay to receive transmissions.

Unprompted knowledge of individual channels such as Sky and MTV is low.

There is little awareness that satellite television can be received via local cable-television companies.

Basic Consumer Awareness About Satellite Television. Marketing Direction, 1 Palace Gate, Hampton Court Road, Hampton Court, Surrey KT8 9BN. £90.

Leaders in UK retailing league table

BY MAGGIE URRY

THE LARGEST retailing company in the UK is neither J. Sainsbury, Marks and Spencer nor Tesco, as many would expect, but BAT Industries, a group better known for its tobacco, paper and financial services activities.

The answer to that riddle is supplied in a new study of UK retailers produced by the Corporate Intelligence Group. BAT achieves its distinction by virtue of its overseas retailing activities.

When retail sales within the UK alone are considered, the study, entitled Retail Rankings, shows that Tesco has just moved up from third to first place, after its acquisition of Hillards last year.

On the basis of UK retail turnover in 1985-86, the top 500 companies are listed with additional information including profits, margins, numbers of outlets and employees. In that year Sainsbury was first.

Those top 500 groups represent 69 per cent of total UK retail sales, and such is the concentration among retailers that the top 10 alone account for 26 per cent of retail sales.

The top 100 retailers are further ranked on the basis of latest available turnover figures. It is in that table that Tesco takes top place, with Sainsbury coming second and pushing Marks and Spencer into third position.

The Retail Rankings - 1988 edition. Corporate Intelligence Research Publications, 51 Doughty Street, London WC1N 2LS. £120.

Ian Hamilton Fazey reports on a project at Liverpool University

Search for secrets of city success

THE ROLE of local business and politicians in bringing dying cities back to economic life will be a key element of a three-year international research project by Liverpool University into why some European and US cities succeed while others fail.

The project, announced last week and to be funded with £260,000 from the Nuffield Foundation, will break new ground in economic research, as well as reopening some unfashionable theories. It will start from the premise that while much is known about why cities fail, little is understood about what makes for their success.

The idea that leadership, or lack of it, has much to do with what actually happens became unfashionable in the 1960s and 70s, when "structural" explanations of economic decline took hold.

No one was blamed for failure, seen as the fault of changing economic structure, and that in turn led to solutions such as large-scale, Government-engineered inward investment.

Yet all successful cities appear to have had strong leaders in business, politics or other fields who have promoted economic revival. Leadership - by individuals and elites - has been crucial in helping adjustment and response to economic change.

The project will involve work in Britain, the US, West Germany and France. It will be run by Professor Michael Parkinson, of Liverpool's Centre for Urban Studies, with help from Professor Dennis Judd, director of the Centre for Metropolitan Studies at the University of Missouri, St Louis.

It will also involve a group of public and private-sector leaders who have formed an enterprise action group chaired by Professor Graeme Davies, Liverpool University's vice-chancellor. He has been vigorously involving the university in economic regeneration since taking office two years ago.

Successful cities appear to have had strong leaders in business, politics or other fields who have promoted economic revival

Prof Parkinson's team will identify key factors in success and point to the policy changes that may be necessary if less successful conurbations, such as Merseyside, are to follow suit. The thrusting re-emergence of the Massachusetts economy will be one area of study.

Apart from leadership, the research will look at the concept of "entrepreneurial cities" to see if there is an "urban culture" which is most likely to promote success. It will try to find the conditions in which enterprise has flourished best.

The effect of local decision-making will be examined in Bristol, Glasgow, Boston, Baltimore and Hamburg. Prof Parkinson believes that while there is no single model for urban recovery, the way these cities have used history, resources, political arrangements and human capital will provide general lessons.

Regional bias in investment policy - by banks, building societies, pension funds, stockbrokers, venture capitalists and other financial institutions - will be examined closely, together with the investment policy of national and international companies.

Prof Parkinson says that allied to this in Britain is the concentration in London and the south-east of the national media, finance, government departments, corporate head offices, corporate research and development, and most of the associated legal and professional services. All those are among the fastest growing sectors of the economy.

A study of the effects of centralisation will test the effect that has on the regions and cities. The hypothesis is that lack of regional and metropolitan political power restricts cities in taking independent action and also breaks or holds down networks of leadership that would otherwise act as focuses through which economic growth and development could be channelled.

Scottish cities, which have greater autonomy from London as well as the support of the Scottish Development Agency, will be used as a control group against which to measure what has happened in England as centralisation of power and resources on London has proceeded since the end of the Second World War.

Comparison will also be made with West Germany, where the federal system of government ensures wide dispersal of both public and private sectors. A similar examination will be made of the same question in France.

Another part of the research will look at the flow of public money and contracts to the regions and flow of tax revenues out of them. That will take in all fiscal sources, so that the role of, say, defence contracts in the regeneration of Bristol will be examined as a "hidden" urban subsidy. This may well have been more effective than public spending via the urban programme in the north.

The issues involved will get a public airing before the research is completed. That will come at an international conference which the Bank of Boston is to sponsor at Liverpool University in June.

UK NEWS

Inmos technology eases path for manufacturers

BY ALAN CANE

INMOS, THE Thorn-EMI subsidiary that designs and manufactures the revolutionary transputer microprocessor chip, has taken a big step towards making transputer systems simple for other manufacturers to incorporate into their designs.

It plans to announce today a family of printed circuit boards, densely packed with transputers and memory chips, which can be plugged together in different ways to suit a customer's requirement.

Standard boards can be plugged together to produce a system with raw processing power greater than one of today's largest mainframes. Such a mainframe would cost more than $5m (£2.81m); the transputer array, a few thousand dollars.

Among the first customers is Apollo, a US manufacturer of high-performance engineering workstations.

Niche Technologies, an Anglo-US start-up company has used the new Inmos boards to develop a speed "booster" for workstations built by Sun, a fast-growing scientific workstation vendor with ambitions in the commercial marketplace.

Mr Peter Cavill, director of microsystems at Inmos, said: "Customers want building block boards that they can use instantly. The new boards provide customers with a building block system of great power and flexibility."

Transputers are complete microcomputers on a chip that combines high processing speeds with an ease of connection uncommon in semiconductor technology.

They can be connected to form powerful multi-processor systems, of use in imaging and computer graphics, industrial control, robotics, defence systems and super computers.

Controversial when first announced, the transputer is becoming an industry standard product through its use in IBM's new personal-computer family and other IBM products.

Other customers include Kobe Steel of Japan and Renishaw Controls of the UK.

More people being jailed, study says

BY ALICE RAWSTHORN

JUDGES and magistrates have become significantly more likely over the past 10 years to imprison offenders, according to a study published yesterday.

The study, compiled by the National Association for the Care and Resettlement of Offenders, shows that the proportion of adult male offenders who were imprisoned by the courts rose from 16 to 21 per cent between 1976 and 1986. Similarly, the proportion of adult women offenders imprisoned increased from 3 to 7 per cent over the same period.

The increased readiness to jail offenders reverses a trend that began in the early 1950s, when, according to Nacro, the judiciary reduced its use of imprisonment as a punishment for indictable offences.

That trend continued until 1974 but since then the proportional use of custodial offences has risen, in spite of concern about overcrowding in prisons.

In 1986, 86,153 offenders were imprisoned in England and Wales, almost a fifth having committed offences involving sex, violence or robbery and almost a quarter being imprisoned for non-payment of fines.

Nacro says the likelihood of a released prisoner committing another offence is high. Its study shows that 57 per cent of men and 37 per cent of women are reconvicted within two years.

Travellers 'trust to luck at the bus stop'

By Christopher Parkes, Consumer Industries Editor

EVIDENCE IS emerging that public buses and their passengers may often arrive at their correct destination more by luck than judgment.

The mystery tour may start at the bus stop – assuming the traveller can find one.

Almost a quarter of bus stops have been found to lack any sign to show that buses stop there – highlighting how a general lack of information is hampering passengers and operators.

Buswatch, a national bus users' group monitoring the effects of deregulation, has also determined in the first half of a two-year survey that 13 per cent of buses do not show their destination.

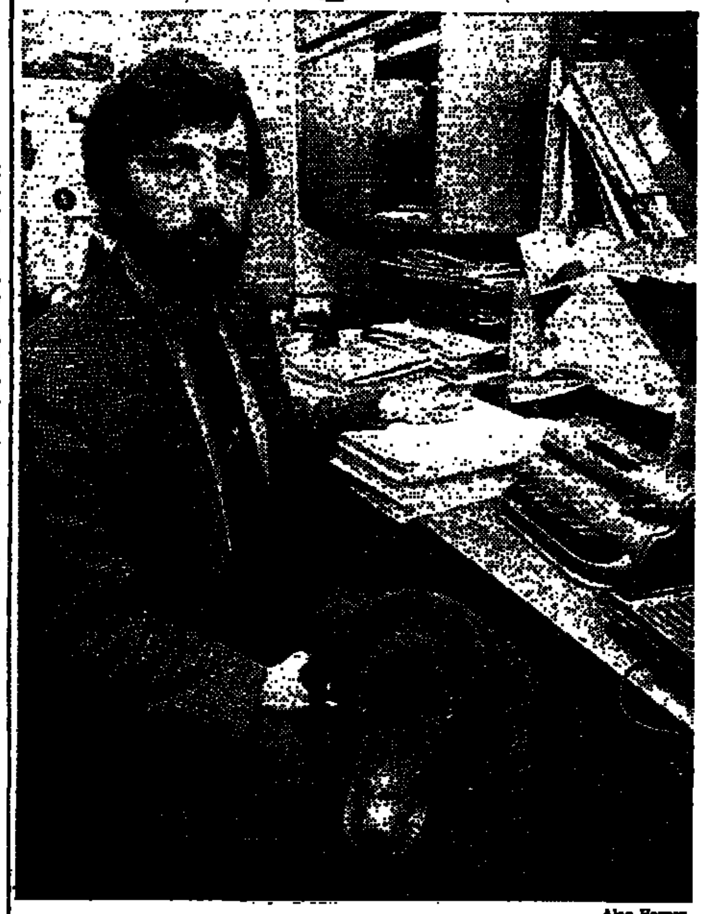
Reporting the findings today in its Consumer Voice magazine, the National Consumer Council suggests that such failings may help to explain falling bus passenger numbers reported from some parts of the country.

The study suggests that even when travellers discover a bus stop, fewer than 10 per cent will find route maps or fare tables.

And only 22 per cent of stops have timetables to amuse passengers while they wait for the next convoy.

Tom Lynch reports on the hurdles of blind MP David Blunkett

Defining rules with first braille bill



Alan Harper

David Blunkett and guide dog Ted with the first braille bill

A PARLIAMENTARY bill has been published in braille for the first time to allow Mr David Blunkett, the blind Labour MP for Sheffield Hillsborough, to take part in its line-by-line committee stage scrutiny.

The first draft of the Local Government Finance Bill, which replaces domestic rates with a flat-rate community charge, or poll tax, consists of a six-inch-thick sheaf of computer printout. A second printout is being bound in a more manageable form.

The bill's arrival marks the culmination of months of pressure by Mr Blunkett to obtain resources to help overcome his disability – a process that continues today when a subcommittee of the House of Commons Services Committee of MPs is to discuss what should be made available to him.

The committee made a special allocation last month to allow Mr Blunkett to continue to pay salaries to his staff – two full-time and one part-time assistant at Westminster and one in Sheffield – until March 31 while a decision was reached on a final package.

In addition, the House has bought a printer that can convert conventional word-processor data into braille, a process Mr Blunkett says is at the forefront of technology. The equipment was evaluated, the software written and Mr Blunkett's staff trained by a Cardiff co-operative called Pia (Welsh for magpie), which had experience in devising back-up for a blind local councillor.

The hurdles facing Mr Blunkett are considerable, in terms of the things he is unable to do as quickly and easily as other backbenchers. He cannot sit during a debate scribbling questions to ministers and correspondence to his constituents. He cannot take notes in committee, he cannot sift through the mass of papers, official and unofficial, that confront every MP and he cannot do normal research in the library.

The fact that all those things have to be done for him and that, unlike other MPs, he needs secretarial back-up well into the evenings if time waiting for late votes is to be used effectively, renders inadequate the £20,140 allowed to all MPs for secretarial and research expenses. The interim allowance to continue staff salary payments is a sign that this is recognised by the Commons authorities.

As chairman of the Labour Local Government Committee and a former leader of Sheffield City Council, Mr Blunkett has arrived in a session when virtually all the main government bills – local government, education, housing and poll tax – fall within his area of expertise.

The proceedings on the poll tax bill are likely to be especially difficult. It is complex and controversial, and is expected to attract 1,000 amendments.

Drinking habits 'changing' in EC

BY LISA WOOD

TRADITIONAL tipples are declining in popularity within the EC, with drinkers more willing to experiment with imported brands, according to a report by Key Note, the market research organisation.

The report said that in recent years the trend in the EC was for traditional beer-drinking nations to consume more wine and for the traditional wine nations to consume more beer. In addition, there was a greater willingness to consume non-traditional drinks.

EC membership had encouraged the trend, as member countries were not allowed to levy import taxes on goods produced by other members.

In most countries this process of change was accompanied by a decline in total alcohol consumption. In France, for example, per capita consumption of beer, spirits and wine fell by 8 per cent between 1980 and 1986.

The bleakest picture painted by the report is that of the spirits sector, with consumption in Germany falling by 29 per cent between 1980 and 1986.

The report forecast that the spirits sector's problems were compounded by the poor image spirits had among the young. "Over the next 10 years, the best performances are to be expected from the lighter spirits, in particular white rum and vodka, which are proving more popular among the young than dark rum, whisky and gin, the popularity of which may be expected to decline," said the report.

Wine would remain the most buoyant sector of the total market, with demand for beer continuing to decline steadily. A downturn in the European economy might temporarily enhance the popularity of beer but the underlying downward trend would continue.

The report said there seemed little likelihood of trends being reversed and as consumption continued to decline, the market would become increasingly competitive and increasingly international in nature.

Key Note Euroview: European Drinking Habits, Key Note Publications, 28-42 Banner Street, London EC1Y 8QE, £285.

Merseyside ends 1987 with higher home orders

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MERSEYSIDE ended 1987 with more businesses reporting higher levels of domestic orders than a year before but with exports, which surged last spring, back down to more normal, slower-growing levels.

The final quarterly survey by Merseyside Chamber of Commerce and Industry indicates that while 55 per cent of the region's businesses had more home orders than in September, only 21 per cent were doing better in export markets.

The key figure is the difference between the "ups" and "downs" reported by businesses, showing whether there is net gain or loss in the proportion doing better. This was 44 percentage points for home orders but only 8 percentage points for exports.

However, fewer businesses shed jobs in the fourth quarter than in the previous four. A year's high of 32 per cent of businesses reported taking on labour, leading to 1987's most decisive net gain in jobs – the "ups" were 17 percentage points ahead of the "downs".

That will not continue if forecasts prove accurate, since more companies say they intend to shed labour than take on people during the current quarter, when "ups" are likely to lag 6 points behind "downs".

Ironically, 30 per cent of businesses reported recruitment difficulties, particularly in electrical engineering, computer operation, production management, semi-skilled assemblers and skilled machinists.

Last of the 13 factors affecting business was a better industrial relations climate.

National Savings up

BY JOHN EDWARDS

NATIONAL SAVINGS, the state-controlled savings bank, had another good month in December. Money coming in comfortably exceeded withdrawals, and as a result the net contribution to government funding rose to £164m.

In November the net contribution was £25.2m, but that followed several months when more money was going out of National Savings than coming in. The December figures confirm that the stock market crash in October has helped to put National Savings products back in favour with investors.

Total receipts were £629.9m and withdrawals £462.9m.

UK NEWS

CBI/FT DISTRIBUTIVE TRADES SURVEY — **BY RALPH ATKINS**

Retailers see sales rising modestly

HIGH STREET sales grew steadily in December but fell short of retailers' expectations and forecasts for January are the least optimistic for any month since 1983.

Retailers reported an upswing in sales in December but there are signs that the pace may be moderating, according to the Confederation of British Industry/Financial Times survey of distributive trades published today.

The results tally with the previous month's survey, which suggested that the recent buoyancy in retail sales is continuing although the growth rate is faltering.

Official statistics for November showed sales rising to a record level. Figures for the volume of retail sales in December are due out today.

Retail sales have increased sharply recently in the wake of strong rises in real incomes and an expansion in consumer credit. So far there have been only a few signs that high street shops have been affected by a possible fall in consumer wealth after the stock market crash.

Mr Nigel Whittaker, chairman of the survey panel, said retailers expected good business in January compared with the *same month a year before*, although sales then suffered because of severe weather.

Lower expectations, he said, "can be partly explained by a greater realism on the part of retailers than in recent months, and also represents a moderation in the underlying growth rate."

Out of 285 retailers questioned in the latest survey, 62 per cent said sales were higher in December than in the same month a year before, while 14 per cent noted a fall. That was lower than forecast, although the survey has consistently shown retailers' expectations about sales being frustrated.

The proportion reporting that sales were good for the time of year was 37 per cent. The growth in orders placed by retailers slowed slightly.

For January, the balance expecting an increase compared with January 1987 minus those forcasting a fall, was +40 per cent. That was the lowest balance since the survey started in July 1983.

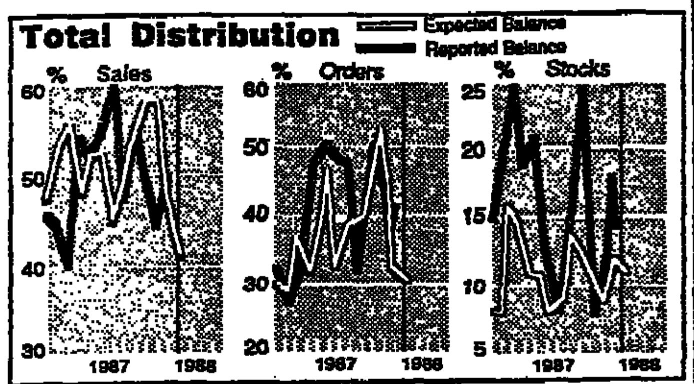
Confectionery, tobacco and newspaper shops and hardware, china and DIY goods retailers reported the best sales increases in December. Grocery, hardware, china and DIY shops were most positive about sales in January.

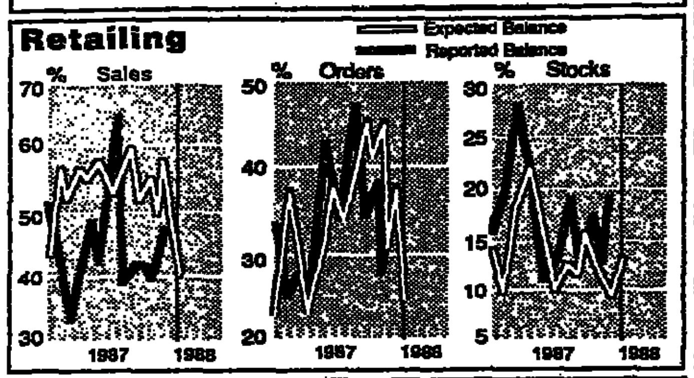
Among wholesalers, December sales were better than expected. A balance of +58 per cent reported an increase, compared with +49 per cent in November and +62 per cent in October.

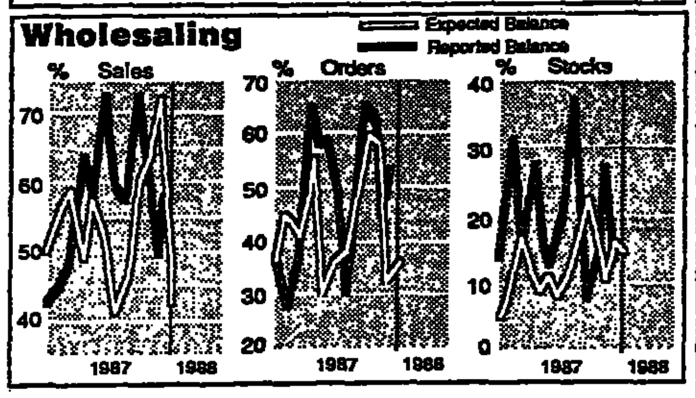
For January, a balance of +42 per cent of wholesalers forecast increases — the least optimistic prediction since July. Orders placed by wholesalers in December grew faster than expected and a further rise is predicted for January.

Motor traders' sales growth slowed considerably in December. A balance of +7 per cent reported sales higher than the same month a year before.

However, motor traders are optimistic about sales in January. A balance of +36 per cent expect an increase compared with January 1987.







Nottinghamshire plans to campaign for investment

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

NOTTINGHAMSHIRE, the east Midlands county best known as the birthplace of Robin Hood, D.H. Lawrence and Torvill and Dean, is planning a campaign to get itself noticed.

The county is concerned that because little is known outside Nottinghamshire of the diversity of its industrial base and attractive living conditions, it is failing to compete adequately with other parts of Britain for inward investment.

Nottinghamshire's main employers are in the textiles and mining industries but it also has an unusually high proportion of smaller businesses in many sectors.

Its unemployment rate of about 11 per cent is above the national average but financial inducements are not available to companies setting up there because it is not an assisted area.

The difficulties are highlighted in a confidential report compiled by accountants Peat Marwick McLintock for Nottingham Development Enterprise, a new body supported jointly by the county and city councils and private industry.

Peat Marwick's brief was to analyse the county's problems — in particular the pockets of severe unemployment in the Forest, Radford and Lenton wards of Nottingham's inner city — and suggest ways in which a tripartite body such as Nottingham Development Enterprise could tackle them.

If approved by the NDE's constituent bodies, the image-building programme could get going by the summer and would centre on a slogan that emphasises the quality of products and services offered by Nottingham companies.

Another high priority recommended by the report is to eliminate planning *blight from a* group of Nottingham city centre sights by commissioning an urgent investigation into which would be the most appropriate for a big shopping development.

At present, four or five large sites around the city are blighted because their owners are vying with each other to win planning permission for lucrative retail developments.

The planning authority considers that more than one *large* new development would be harmful to the city centre.

Market instability 'takes toll' of business confidence

BY ALICE RAWSTHORN

THE STOCK MARKET collapse last October and the financial markets' subsequent instability have taken a toll of business confidence, says the Institute of Directors's Business Opinion Survey.

The number of senior businessmen less optimistic about their companies' prospects than they were six months ago has more than doubled, to 14 per cent, compared with the last survey made in October before Black Monday.

Similarly, the number of directors less confident about the general economic outlook has risen from 4 per cent to 21 per cent and fewer respondents expect to increase employment in their companies.

Nevertheless, most directors questioned, 61 per cent, are more optimistic about their companies' prospects than six months ago.

Moreover, the survey is encouraging about the present pace of business.

Almost all respondents, 91 per cent, said their companies were doing very or fairly well.

Four fifths of those questioned also reported growth in the volume of business.

Two thirds said profits had risen in the second half of last year, compared with the previous year.

The survey offers one of the first insights into Black Monday's impact on business confidence.

However, it was made in the first week of last month when the world's stock markets were still reeling in the crash's wake.

Since New Year, when financial markets became more stable, some confidence may have been restored.

None the less, publication is opportune. It precedes the appearance this week of the Public Expenditure White Paper.

The paper will set the agenda for discussion of the Chancellor's plans for the Budget in March.

Securities houses report optimism over growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A BUOYANT picture of the outlook for Britain's economic growth and for inflation is presented today by two reports from leading City securities houses.

In an analysis of prospects for the economy, Warburg Securities says output is likely to expand by 3.3 per cent this year against the growth of about 2.5 per cent forecast by the Treasury in March.

Warburg's economists say it is now clear that output was rising much faster than generally thought ahead of October's stock markets crash. That, combined with the relatively optimistic evidence of buoyancy in the economy just after the crash, suggested that the Treasury's forecast was over-cautious.

A rise in output of just over 3 per cent would mark a significant slowdown from the rate of nearly 5 per cent seen in 1987, but would be "very respectable" by international and historical standards.

The forecast also sees little upward pressure on inflation, with the retail price index likely to rise at an annual rate of just over 4 per cent in last three months of 1988.

The combination, however, of a deterioration in industry's competitiveness and faster growth in Britain than abroad is likely to lead to a significant widening in the trade gap.

In a separate review of the outlook for tax cuts in the March 15 Budget, Greenwell Montagu says the recent buoyancy of *government revenues* will give Mr Nigel Lawson, the Chancellor, "too much to give away".

Without tax cuts, the Government could run a £7bn surplus on the public-sector borrowing requirement in the 1988-89 financial year. In theory that would allow the Chancellor to announce tax cuts of £11bn, while keeping public borrowing at 1 per cent of national income. In practice, however, he is likely to forecast a small PSBR surplus combined with tax cuts of £3bn to £5bn.

APPOINTMENTS

Robinson chairman

Mr Tony Slipper, chairman of Robinson

Mr Tony Slipper has been appointed chairman of ROBINSON & SONS, Chesterfield. He takes over from Mr Robert Robinson who retains his seat on the main board as deputy chairman. Mr Slipper was managing director of the beverages and food division of Cadbury Schweppes.

★

KEMPSTON ELECTRICAL CO. has appointed Mr Leslie E. Abbott as deputy chairman and Mr Greg Walker as managing director.

★

The boards of OXFORD AIRPORT HOLDINGS, a new company, and CSE Group, have been constituted as: Mr Maurice McLean, chairman and chief executive; Mr R.W. Littledale, group financial director; Lord Waterpark, group sales and technical director; and Mr J.A. Leavey, Professor A. Mellows, and Mr R.A. Youdell, non-executive directors. Mr N.J. Melrose becomes secretary of both companies.

★

Mr Robert Goldstein has become managing director of COMMODITIES RESEARCH UNIT. He was marketing director. Mr John Horam, who was managing director, has been promoted to managing director of the parent company CRU Holdings.

★

Mr Alan Priest, previously director and general manager of Mazda Cars (UK), becomes managing director of SEAT CONCESSIONAIRES (UK) on January 25.

★

J.H.MINET & CO has made the following board appointments for its new wholly-owned subsidiary, J.H. Minet Reinsurance Brokers: Mr B.J. Hayes, chairman; Mr B.J. Carlier, chief executive; Mr M.K. Rosser, finance director; Mr R.C.J. Phipps, operations director; Mr J.T. Gore, Mr C.R. Dixey, Mr J.F. Cavanagh, Mr P.H. Woodhouse, Mr J. Hvidsten, and Mr N.S. Edwards, directors.

★

KETSON has appointed Dr David Turtle as managing director of a newly-formed subsidiary Ketson Strategy and Innovation. He will also be responsible for co-ordinating group marketing. He joined from the Mars Corporation where he was vice president of the information services division.

★

Mr John Berkshire and Mr Derek Hornby have been appointed non-executive directors on the main board of SAVILLS. Mr Berkshire is executive chairman of GL-Alexanders

Laing & Cruickshank Holdings. Mr Hornby is chairman of Rank Xerox (U.K.). Mr James Dean, Ms Victoria Mitchell, and Mr Charles Sanderson, have been promoted to executive directors on the main board.

★

BELSTAFF INTERNATIONAL, a subsidiary of the James Halstead Group, has appointed Mr Mike Felton as finance director, and Mr David Nichols as export director.

★

HENDERSON CROSTHWAITE, a subsidiary of Guinness Peat Group, has appointed Mr Geoffrey Sargent as a director. He has been with the company for eight years.

★

Mr Tony Ward has been appointed director of water services at YORKSHIRE WATER, succeeding Mr David Jeffrey who has been appointed managing director of Welsh Water. Mr Ward was general manager.

★

Mr Nigel R. Freeborn has been appointed a director of HIGGS AND HILL MANAGEMENT CONTRACTING, responsible for surveying. He is a director of Diespeker Concrete Company, another Higgs and Hill group company.

★

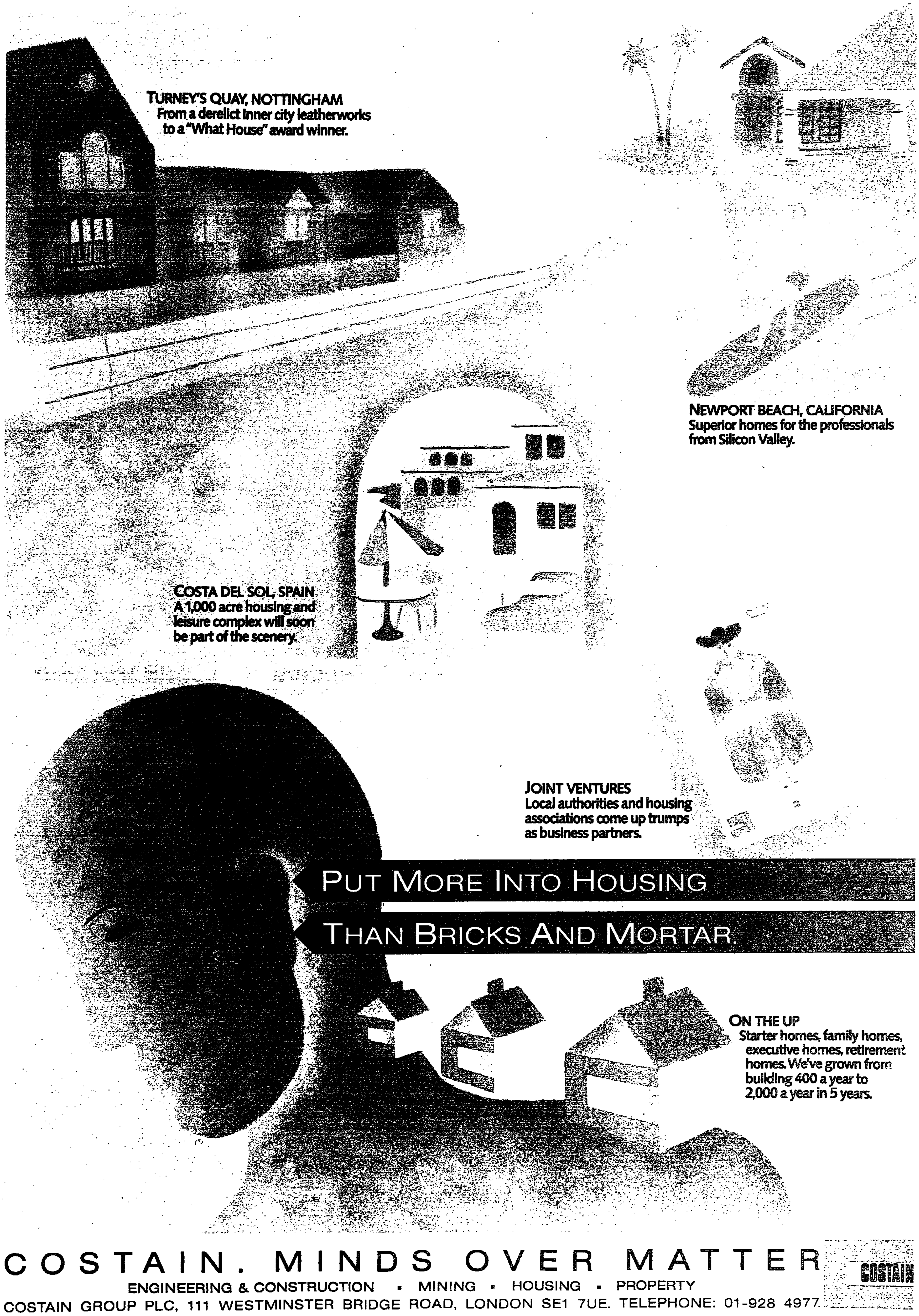
CONSOLIDATED GOLD FIELDS has appointed Mr Christopher Castleman as a non-executive director. He is managing director and chief executive of Blue Arrow.

★

Mr John Hogarth has been appointed a director and Mr John Harding becomes operating manager of BIBBY BROS & CO. Mr Nigel Malpass has been made general manager, Manx Ship Management. Mr Malcolm Arbor has been appointed a director of Bibby Financial Services.

★

Sir Timothy Bevan, chairman of BET and formerly chairman of Barclays Bank, has been appointed a director of The Foreign & Colonial Investment Trust.


TURNEY'S QUAY, NOTTINGHAM
From a derelict inner city leatherworks to a "What House" award winner.
NEWPORT BEACH, CALIFORNIA
Superior homes for the professionals from Silicon Valley.
COSTA DEL SOL, SPAIN
A 1,000 acre housing and leisure complex will soon be part of the scenery.
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Local authorities and housing associations come up trumps as business partners.
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COSTAIN

Two US voices on the dollar

ANTHONY HARRIS
in Washington

IF YOU are not confused, you don't know what's going on. This wonderful old American chestnut was given new currency a few weeks ago by Mr Robert Samuelson, who comments on economic matters for the Washington Post, and I have been struggling to keep my itching fingers off it ever since. But since my subject this week is American policy towards the dollar, the temptation is irresistible. Read on, and at least you will know why you are confused.

First, though, some fairly straightforward, though largely unreported, history. Some years ago Professor Martin Feldstein, who was not only the President's chief economic adviser but his loudest economic critic, retired after he was rather ostentatiously not offered a second term. His successor was Mr William Niskanen, who succeeded in making the Council of Economic Advisers a great deal more influential, while remaining almost entirely unknown to the general public.

There was nothing accidental about this self-effacement: Mr Niskanen was honouring a deal he made on taking office. The council would be asked to report on all Cabinet-level economic decisions; but in return for getting its view heard inside the Cabinet, its members would say nothing controversial outside.

In due course Mr Niskanen returned to private life. He was succeeded by Mr Beryl Sprinkel. Mr Sprinkel stuck to the Niskanen rules, though as a former financial market pundit who could make the bond market tremble, he may well have found it a struggle.

He was probably equally frustrated by another fact, which so far as I know has attracted no attention at all. Until remarkably recently – indeed, probably right up to the October 19 crash – there was no such thing as a Cabinet view on the dollar. Mr James Baker, the Treasury Secretary, had got away with treating this as a purely Treasury matter, though of course he consulted those he wished to consult, including the Governors of the Federal Reserve.

Against this background, it is rather easier to understand why Mr Sprinkel's briefing on dollar policy, which undermined the Group of Seven statement on the dollar just before Christmas, had such an impact. This was not, it appeared, the old, monetarist Sprinkel voicing his well-known enthusiasm for leaving things to the markets. It was the new, loyally tactful, Cabinet-rank Sprinkel explaining the official view of what was, after all, rather an ambiguous statement, apparently wrung out of a reluctant Administration by its impatient foreign creditors.

What is more, this impression was almost certainly correct. The Cabinet had not decided to put a floor under the dollar – the Secretary of State, Mr George Shultz, was a heavyweight opponent of the idea, for one. Mr Sprinkel was simply explaining the position as he understood it. Yet after the holiday pause, there is quite a different policy. For the present, at least, the dollar is being stabilised with full American support.

How long will this commitment last? It seems to have been inspired mainly by the fear of a second stock market crash after the dollar-inspired jitters of the New Year market. The policy could, then, be blown away by a really strong rally in stocks; but there is also a complicated ideological argument raging. Stabilisation now has some influential friends, including, it seems, a re-convinced Mr Baker.

The reason the argument is so inconclusive is that it opposes two of the inconsistent strands which are tangled up in Reaganomics, between the supply-siders and the monetarists. This has been going on for a decade, but has become increasingly difficult for outsiders to follow.

In the old days the supply-siders wanted to cut taxes; they bitterly attacked the Federal Reserve for imposing an over-tight squeeze and frustrating the rapid growth of output and revenue which they had promised would result. Now, however, it is the supply-siders who argue for stability, while the monetarists want to see policy relaxed.

The dispute always was complicated. Some monetarists, including Mr Sprinkel, attacked the Fed for failing to understand the technicalities of monetarism. And now Mr William Greider has written a much-discussed book claiming that the Fed never believed in monetarism; it simply adopted the Chicago slogans as a handy way to protect the rich lenders who are its natural constituency.

Mr Greider can probably be classified as a left-wing supply-sider. He was a confidant of Mr David Stockman, the administration's original budget director, in the early days of the Reagan regime, but his current arguments are in the mainstream of American populist distrust of all bankers, central or otherwise. The big difference between Mr Greider and the conservative supply-siders is that he likes inflation because it robs rich lenders; they like stable prices and tend to favour a gold standard.

The gold standard case, now a commodities standard case, is essentially anti-monetarist and is tentatively supported by Mr Baker as well as at least two Governors of the Fed. The monetarists draw attention to the fact that the money supply has now stopped growing, on almost any definition, and warn of recession. Their opponents point to rising dollar commodity prices and warn of inflation.

For the moment, it is the strength of the economy which has scotched the monetarists. Manufacturing is growing faster than at any time in the last five years, and exports are booming at an almost miraculous rate. On this evidence it is silly to worry about either recession or competitiveness, and so it is easy to make a case for supporting the dollar. All the same, the two schools of thought probably function like the little wooden figures who used to adorn Victorian barometers: if the pressure changes, the other school will pop out.

Whatever happens is likely to surprise the markets, on current form; they misguessed both official policy and the trade figures. This will at least settle one argument in Washington. There does not appear to be a mole in the Bureau of the Census giving inside information on trade. Only the insiders knew.

INTERVIEW

Ending a suicide trail

Nigel Andrews meets Ned Tanen head of pictures at Paramount

A 75-year-old Hollywood studio which has had more financial rough times than any other in history is now outpacing every other major at the box-office.

That studio is Paramount Pictures, which celebrated its birthday last year. Not content with hanging a "75th anniversary" banner across the famous snow-capped mountain at the beginning of each film, Paramount also celebrated at the box-office. It had three of the top five money-making films of 1987: Beverly Hills Cop 2, The Untouchables and the smash-hit thriller Fatal Attraction, just opened in London. Paramount came top at the box-office in both 1986 and 1987, the first time in 15 years that the same Hollywood studio has done so two years running.

I put it to Ned Tanen, the studio's President of Motion Pictures, presiding with caustic charm in an office overlooking Paramount's famous arch, that this amount of luck was a more than generous birthday present. Or is there judgment, too, in Hollywood success today?

"A great deal of it is luck. Luck and timing. Our current hit, Fatal Attraction, has made $130m to date. It's a terrific entertainment, but it also happens to catch the mood of the market. It's a murder thriller about adultery, and it comes out at a time when we're all thinking about AIDS, and when there are strains and pressures of all kinds on the nuclear family. It's a marvellous 'night out at the movies'. But more than that, it was the right picture in the right place at the right time."

Tanen, 57, should know about that. His previous studio job was at Universal: a 27-year stint in which he presided over successes like Jaws and ET. How much does he think Hollywood has changed over the years? Not just during his lifetime but since the "golden age".

"The wonderful thing about movies," he says, "is that they're one of the last fly-by-the-seat-of-your-pants businesses. No computer can tell you, properly, what movies to make. Even market research can't. Research is what put ET into turnaround at Columbia. Columbia said no to the film because research had told them that no one over four would want to go and see the picture! The same with Back To The Future. No one over 10 was supposed to want to see that.

"You cannot make movies by committee. Nothing will put you out of business quicker than ten people sitting in a room saying, 'I think this is great.' It's better to have one person screaming, 'I think this movie can be marvellous.'"

Tanen himself has stood up for a few risky ventures over the years. No one else at Universal had much initial faith in American Graffiti or Coal Miner's Daughter or The Deer Hunter. All those movies won Oscars and/or audiences."

But Tanen is also realistic enough to acknowledge that not every movie can be an inspired one-off. Today's major bet-hedger in the movie business is the sequel.

"We're doing Crocodile Dundee 2 this year, and we'll probably do Beverly Hills Cop 3 next year. Sequels – whether they're good or bad as pictures – are bound to do some business because they're based on success.

"But you can go wrong by repeating success. Or trying to. I've been around long enough to remember when The Sound Of Music was going to save the industry. And everyone ran out and made these hideous – and by the way Paramount led the pack – musicals, one after the other, overbloated, terrible films, just catastrophes. Star, Darling Lili, and so on. Then Dennis Hopper saved the industry with Easy Rider, and everyone went into youth movies. You should have seen some of those scripts.

In the days before Hollywood came to rely on the sequel as its staple, it used the star system. Where is that now?

"It's true: people used to go and see a movie, good or bad, because their favourite actor or actress was in it. Bette Davis or Clark Gable or Joan Crawford. Today I doubt there are any legitimate stars in that sense: Eddie Murphy perhaps, Clint Eastwood. But after that you have to think pretty hard.

"But in the old days the whole industry set-up was different. Stars were owned by the company. The companies could keep forcing these people at the public until they accepted them. Or didn't. Bette Davis used to say, 'I would never have been a star, I'm certainly no beauty, except that Jack Warner – pain in the ass that he was – believed in me. And he kept shoving me into movies until someone finally said, "She's pretty good".'

"Today I don't think you can build a star that way. There aren't that many films made, and there's no one to keep shoving you into them. A lot of the so-called 'stars' today are reluctant to work – they make about one film every three years – because they can't, in their mind, afford to fail. If they fail, the mystique is gone and they have to start all over again."

And yet what is true of film stars does not seem to be true of film makers. Hugh Hudson after Revolution, Michael Cimino after Heaven's Gate, Joe Dante after Explorers – many directors today, after momentous flops, seem to get up and go on to other assignments. Why?

"That's a good question. I think certain directors are a 'challenge' to certain studio executives. He, the executive, will get the Great Cimino Movie. And hope springs eternal. There are great similarities between the movie world and the rock world. People self-destruct because they can't stand the success. People telling them 24 hours a day what geniuses they are:

"I don't think there's a more gifted director in the world today than Francis Coppola. But he has people telling him night and day that he's infallible, he's the Sun King. And you listen to that. And gradually you insulate yourself, you lose perspective. And if you're working on a picture, it's very hard for anyone to get through that megaphone screaming and say, 'You're mad, you hear, you're going down the suicide trail.'"

The good news about the film industry as a whole, however, is that it is no longer on the suicide trail. Far from it. After decades of down-turn at the box-office, last year's US movie grosses were the highest ever.

"America's doing well. But the most astonishing turnaround has been in Britain," says Tanen. "The British film industry has really turned around. Probably starting with the fact that they're finally putting in some theatres which aren't relics of the Art Deco period. And they've discovered air conditioning, which is a major breakthrough!"

Tanen has another reason to think fondly of Britain. The two directors who have earned Paramount most money during the last year are both British. One is Adrian Lyne of Fatal Attraction. The other, gifted with an even greater Midas touch, is Tony Scott.

"I can't take the bows for Tony Scott. Don Simpson and Jerry Bruckheimer, the producers, wanted him for Top Gun. I told them they were both crazy or drunk: because I'd seen his only previous feature, The Hunger, and that was pretty bad. Anyway they brought him to my house, and he'd just gotten off a plane from England. And it was about 10pm in the evening, and I'd never seen him before in my life. And Tony Scott said hello, and I said hello. And he sat down in a chair and fell asleep and never said another word. And I talked to Don and Jerry, and at the end of about ten really uncomfortable minutes I said, Well, obviously if this guy has this level of energy in shooting a movie, we're going to be in wonderful shape. But if you two believe in him that much, go make the movie."

Top Gun, directed for Paramount by Tony Scott, became the highest-grossing American film of 1986. The following year the highest-grossing American film was Beverly Hills Cop 2. It was directed for Paramount by Tony Scott.

•PERSONAL FILE

Early 1960s: after career as agent with MCA talent agency, began packaging television shows for MCA's Universal Pictures subsidiary
1970: Joined Universal Pictures as Production Vice-President
1975: Named President of Motion pictures for Universal
1978: Made member of Board of Directors for MCA
1982: Left Universal to form Channel Productions, independent production company
1984: Joined Paramount as President of Motion Pictures

A system in need of remedy

JUSTINIAN

THOSE PERSONS, mostly elderly men and women, who in the early 1980s were suffering from arthritis and sanguinely took the drug Opren, on prescription, to relieve pain must at least feel assuaged by the prospect that an end to the five-year litigation is in sight.

As announced in court just before Christmas, the manufacturer has offered a global sum of £2.7m plus legal costs of £3m – less recompense than the claimants deserve for their miseries resulting from the drug's side effects. About a thousand of the approximately 1200 Opren plaintiffs have so far accepted Eli Lilly's offer. The legal proceedings, however, have pinpointed major deficiencies in the English system for supplying an adequate remedy to large numbers of victims, with widely varying symptoms, against a powerful drug company.

The intrinsic problems of litigating multiple claims in England are twofold. First, the claimant must provide proof not only that his injury was caused by taking the drug, but also that it is unsafe and that the manufacturer was negligent. The second deficiency is that legal aid is grantable to an individual only where it can be shown that a privately paying litigant with "sufficient but not super-abundant means" would be professionally advised to prosecute his claim. With only moderate damages at stake, with the difficulties of establishing negligence and with a liability for costs, few financially unassisted plaintiffs would risk so much in terms of emotional commitment, time and money.

Given this unpromising scenario, the solicitors acting for the Opren victims have managed to conjure up a sound service for their clients; the legal aid authorities have gone as far as their statutory powers allow them; and the courts, while maintaining the balance of rights and interests of all the parties, have exhorted, even cajoled, the manufacturers to settle the claims. If the result is less than satisfactory, it is the system which is failing.

The prime requisite for improvement is the substantive law. The Consumer Protection Act, when it comes into operation in March, will establish the concept of product liability. This is a strict liability, not involving any fault on the part of the manufacturer, which seeks to implement a European Community directive on product liability. The directive, however, gives individual member states the right to legislate for a defence to a claim on the grounds that the product was a reasonable risk in the cause of research and development of new drugs.

The English statute provides for just such a "development risk defence". It is claimed that all the law will have done is to shift the burden from the plaintiff having to prove negligence against the manufacturer to the defendant manufacturer showing that it was not negligent. There is some debate about the test for reasonableness in this context. Is it the manufacturer's or the bystander's notion of a reasonable risk?

But even such a change in the law will not solve the problem of how to finance multiple litigation or class actions. One feature of the Opren litigation, however, which is not exclusive to that type of litigation, was alluded to by Mr Justice Hirst last week in the High Court.

Part of the terms of the Opren offer was that the financial details should be kept confidential. There is nothing unusual in that. Often, when libel actions are settled by an announcement in court, the damages being paid are often vaguely described as "substantial". Claims in personal injury cases are frequently settled both out of the public's sight and hearing, and with no public announcement.

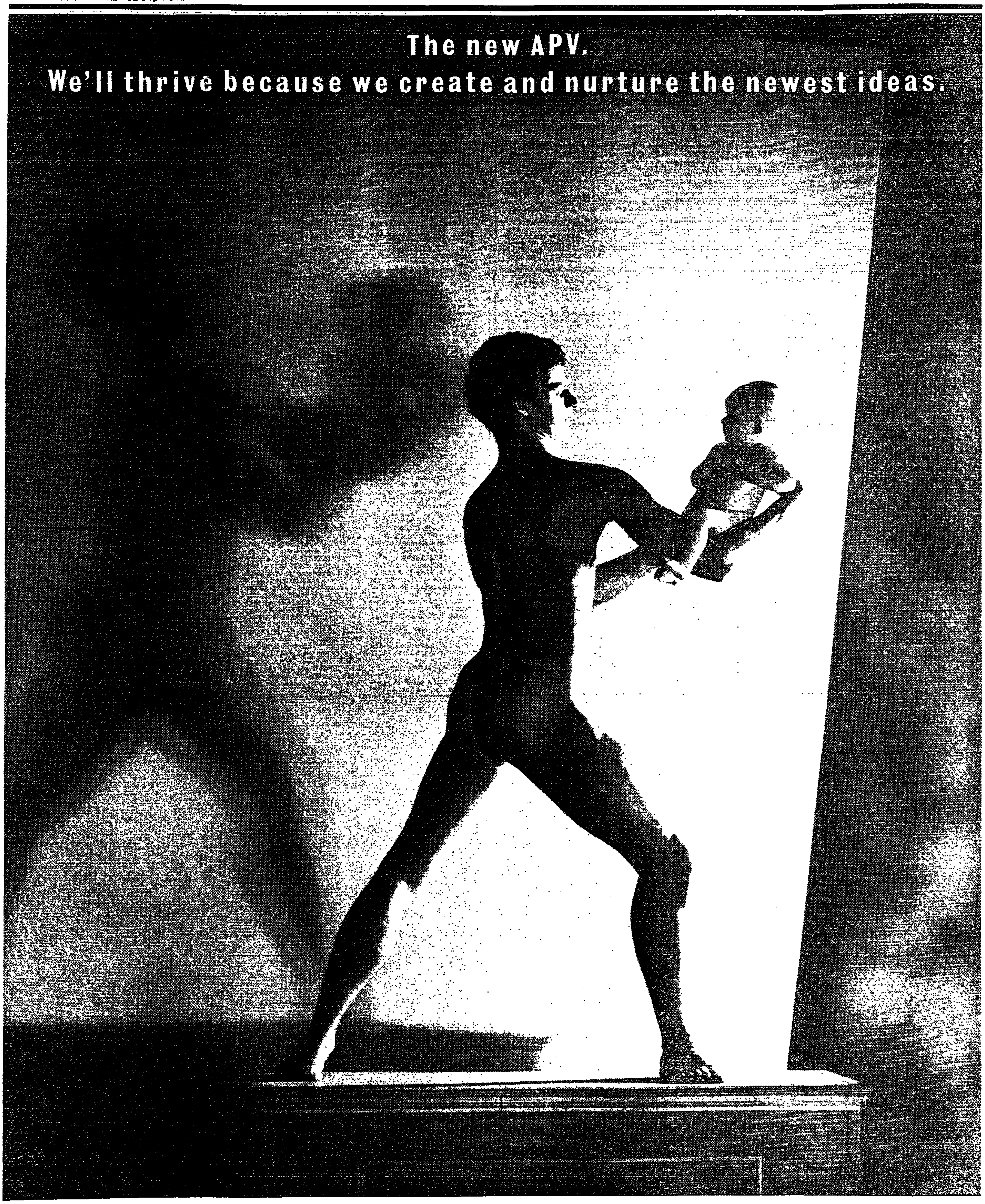
But the manufacturers of Opren insisted on confidentiality in respect of both the financial terms of the settlement and the documents disclosed in the course of the litigation. This would be achieved by imposing limitations on solicitors acting for persons with a similar claim, but to whom the settlement did not apply. Solicitors were to be debarred from acting for plaintiffs outside the scope of the settlement.

The current issue of Law Magazine suggests that such a condition of the settlement, if not a breach of solicitors' practices was nevertheless against public policy. In his judgment, Mr Justice Hirst refuted the suggestion and said that the criticism was unjustified.

There is nothing new about a legal adviser finding himself in the predicament of conflicting interests or duties. If a solicitor were to assume conflicting duties of trust to two persons in respect of the same transaction, he would be acting improperly. The solicitors acting for the Opren plaintiffs would have been much criticised if they had advised their clients to refuse the terms of settlement because they declined to accept the manufacturers' limitation of absolute confidentiality.

The problem arises over the present law relating to the disclosure of documents in the course of litigation. The desire of drug manufacturers to maintain secrecy for their product sits uneasily with their public obligation to inform, and thus reassure, the public about its safety.

هكذا في الأصل



APV, Baker Perkins and Pasilac became world leaders in food and beverage process plant markets through constant innovation. Now, with those three companies restructured into the new APV, research and development efforts are increased – and benefits magnified. The point is the level of real synergy across the group. Work on milk production technology in Denmark impacts directly on our US brewing plant capabilities. Control systems developed for the UK bakery industry have applications in our pharmaceuticals division. The need to develop new ideas and exploit them fully leads to a key concept: the centre of excellence. A number of APV operations, in different markets worldwide, have been so identified: their brief is to study their market, to focus R&D activity and to ensure that developments are maximised. Like any high-technology industry, new ideas are our life blood. But our centres of excellence are our heart.

APV

The world's food engineers.

Contracts & Tenders

ANNOUNCEMENT FROM EREGLI IRON AND STEEL WORKS, INC, TURKEY

1-Announcement is hereby made for the following two projects within the "Capacity Improvement and Modernization Project" in the integrated steel plant of Eregli Demir Ve Celik Fabrikalari T.A.S. located at KDZ.Eregli, Turkey - The project is aimed at increasing production, improving product quality and reducing production costs and energy consumption including general and detailed engineering service and fabrication.

PROJECT NAME

A AIR SEPARATION PLANT
One air separation plant nominally rates at 310.000 Nm 3/day of 99.5 0/0 pure oxygen including oxygen, nitrogen and argon purification and liquefaction equipment. Equipment for storage of 10.386 NM 3 of gaseous oxygen (6000 NM3 of gaseous nitrogen, 275 NM3 of gaseous argon, liquid oxygen) from 12 hours of maximum liquid make, and 9000 NM3 of liquid argon. Interconnecting piping and other auxiliary equipment required to integrate new plant with existing air separation plants and liquid/gas storage facilities.
The Contractor shall prepare proposals for both reversing heat exchanger and front end purification (molecular sieve) type plant for Erdemir's consideration.

B SLAB REHEATING FURNACE AND AUXILIARY EQUIPMENT
A new 320 metric ton per hour slab reheating furnace, the second furnace for No. 2 HSM, located North of the present furnace. The furnace will be equipped with pusher, extractor and charging and discharging tables. A full computerized system for "Optimizing" the operation of both the new furnace and the present furnace to minimize the energy and fuel oil requirements will also be provided.

2 Tender documents for each project mentioned under A and B above may be obtained from the following address as of January 18, 1988 and after depositing 750.000. - Turkish Liras for each project to Erdemir cashier's office at KDZ-Eregli-Turkey indicating the project name:
Erdemir, Vice President Purchasing
Foreign Purchases Department (SA.17)
KDZ, Eregli, Turkey

3 Bid closing dates for both projects A and B above are 28 April, 1988 and 29 April, 1988 respectively and no sealed bids shall be taken into consideration for evaluation if submitted to our above mentioned company address after the said date(s).

4 Our company reserves the right to place the order either partially or completely with any bidder or to cancel the tender completely. The receipt of quotations shall in no way be binding upon our company.

5 As the finance source either Suppliers Credit or any credit in foreign currency to be provided by Erdemir shall be utilized.

6 During the bidders qualification, the following points shall be taken into consideration:
(A) Bidders must have adequate experience for the establishment and/or modernization of subject facilities. If the bidder is a trading company, the bids must be submitted together with another technical sub-supplier whose qualifications meet the above mentioned requirements.
(B) The sub-suppliers so selected by the bidders must be well experienced companies in their respective fields.

Company Notices

YAMAICHI ADVANCED TECHNOLOGY FUND
10A, BOULEVARD ROYAL
LUXEMBOURG

NOTICE TO SHAREHOLDERS
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the third annual General Meeting of Yamaichi Advanced Technology Fund will be held at the Registered Office in Luxembourg, 10a, Boulevard Royal, Luxembourg, on

Thursday 28th January, 1988 at 11.00 hours,

For the purpose of considering the following agenda:
1. To receive and adopt the management report of the directors for the year to 31st October, 1987.
2. To receive and adopt the report of the statutory auditor for the year to 31st October, 1987.
3. To receive and adopt the annual accounts as at 31st October, 1987.
4. To grant discharge to the directors and the statutory auditor in respect of the execution of their mandates to 31st October, 1987.
5. To receive and act on the statutory nomination for election of directors and the statutory auditor for a new term of one year.
6. To appropriate the earnings.
7. To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the company not later than twenty-four hours before the meeting.

By order of the Board of Directors.

J. Pierson
General Manager

NORTH AMERICAN INDUSTRY

David Owen examines Canadian fears over tariff-barrier removals

US trade pact a two-edged sword

"A FRIEND of mine works for a US company which is building a chocolate plant in Canada. I asked him if they would have built the plant if they had known there would be a free trade agreement. He said probably not."

Foreign direct investment is often viewed as a substitute for trade. Certainly the above example, recounted by a senior executive with a large US food processor in Canada, does nothing to undermine that contention.

Since before the turn of the century, US companies have been establishing operations in Canada, with the primary aim of circumventing tariff barriers.

The re-emergence since the late 1970s of contingent protectionism in the US has increasingly encouraged Canadian companies wishing to build sales south of the 49th parallel to adopt a similar approach.

The recent conclusion of a tentative free trade pact between the two countries, which sets the goal of essentially tariff-free bilateral trade within 10 years, has prompted concern in Canada that the removal of barriers will spark *the reverse response – that free* trade will prompt US companies to sell existing Canadian plants and supply their huge but sparsely populated neighbour from south of the border.

Conversations with executives from a wide range of Canadiansubsidiaries of US companies suggest, however, that an entirely different process will (and in some cases has already started to) take place. Rather than shut up shop in Canada, these conversations suggest, US companies will – where possible – integrate Canadian plants into a North American operations network.

Manufacturing facilities, in other words, will be rationalised to produce a much narrower range of products for a unified North American market rather than sold or mothballed.

While trade liberalisation may well produce, in the words of Professor Alan Rugman of the University of Toronto, "a gradual slowdown in the rate of increased direct investment," there appear to be at least two compelling reasons why most companies will not disinvest altogether.

The first is the matter of sunk costs. "Plant," in the words of Mr Jon Grant, Quaker Canada's president and chief executive, "is an expensive asset. Shutting down plant is a last resort."

The older the plant in question, of course, the less powerful the deterrent. Nevertheless, as Prof Rugman's studies indicate, there appear to be relatively few cases where overall exit costs would be low enough for out-and-out closure to be a viable option.

The second reason is Canada's many "country-specific" advantages, especially its resource base. Reduced tariffs will clearly have little bearing on investment decisions by the likes of Texaco while sufficient low-cost Canadian oil remains in the ground.

The number of US-controlled subsidiaries tied to Canada by such considerations is greater than might at first be imagined. "There's an advantage in producing near the feedstocks," says Mr Bob Seath, vice president in charge of commodity petrochemicals operations at Union Carbide Canada.

If closure is being rejected as too costly or otherwise undesirable, so too is the status quo, whereby Canadian plants have traditionally replicated US product lines without being able to benefit from the economies of scale available in the far bigger US market.

Hence, managers are hitting on cross-border integration as a *means of maximising the efficiency* of pre-existing Canadian assets.

Some industries and companies are further down the road than others.

Navistar International (formerly International Harvester), which has reaped the benefits of the "free-trade-with-strings" Auto Pact since 1965, believes that its North American plants – one in Ontario, one in Ohio – are already fully rationalised.

The heaviest trucks in the company's range, an official explained, are built in Canada; medium-sized vehicles and below are turned out in Ohio.

Integration is also at a relatively advanced stage in the computer sector, where duty averages only 3.9 per cent. Canadian subsidiaries have sometimes developed a degree of product range differentiation from their parents by winning global mandates to supply a given product, component or service to subsidiaries of the same group in other countries.

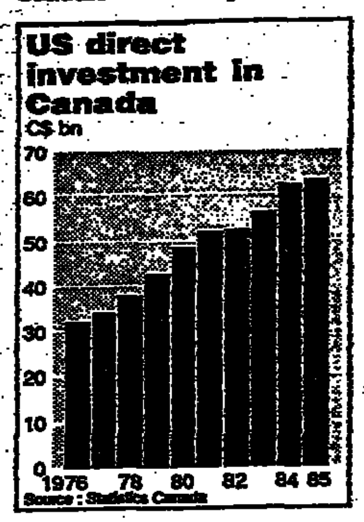
Digital Equipment's Canadian subsidiary has five such global mandates, including one top-of-the-line personal computer and the back panels of all Digital computers.

"We try to produce large volumes of few products," says Mr David Paolini, a Digital executive. "Free trade will make us more competitive, which could lead to more production mandates," he adds.

Several Canadian-based electrical products, appliance and components manufacturers have also secured such mandates from their parents: Westinghouse has 19; Honeywell about 20.

Essentially, companies are preparing to phase out production of such relatively low-tech products as valves and transistors, in favour of more sophisticated items.

Rockwell of Canada completed its abandonment of Canadian valve production about a year ago, according to Mr William Marks, director of Canadian operations.



Honeywell, meanwhile, has phased out production of some valves in favour of heat relays and electrical control equipment. General Electric Canada, similarly, has stated that it plans to focus on businesses "where value is added through knowledge."

It is in the area of food processing and consumer products that managers, while expressing the intention to rationalise, are probably furthest from achieving a meaningful degree of cross-border integration.

Procter & Gamble, which has trimmed its Canadian operations to five plants and between 3,000 and 3,500 employees in recent years, has just embarked on the process, in line with its June announcement that it plans to revamp its worldwide manufacturing operations.

At the time, the company noted that "the increased level of capital investment required today for new product introductions and changes in existing products further encourages reducing the number of production sites for individual products."

Mr Bob Anderson, Canada-based general counsel, elaborates. "The *big* costs in manufacturing are less ingredients than changeover time.

"If you can run your plant more hours per day than your competitor you are OK. It's harder up here to do that because the plants have been geared to supply the Canadian markets with all sizes (of a given product)."

The bulk of the US-controlled Canadian food processing sector, meanwhile, still consists of branch plants essentially replicating the parent's domestic market product line. As one executive of Kraft said: "The only business that we are in here that they aren't (in the US) is peanut butter."

While Nabisco Brands is selling more Peak Freans biscuits in the US, it is not allowed to market products made south of the border by its parent, RJR Nabisco, according to Mr Ron Adlam, the company's vice president for planning.

Even companies which do have a range of distinctive Canadian products, like Quaker Canada (pet foods, cereals, baking mixes) and Campbell Soup (apple juice, steak sauce, gravy mix), export very little to their parent company's home market.

Mr Grant of Quaker estimates that some 3 per cent of the Canadian subsidiary's sales are shipped to the US. "We export some Bisto to the US," adds Mr Tom Peddie, Campbell Soup's chief financial officer.

"They are basically riding on the coat-tails of products developed in the US," concludes Mr Jack Stacey, an analyst with Moss Lawson.

Nevertheless, most food sector executives project that free trade will lead to some cross-border rationalisation, in a bid to benefit from economies of scale and longer production runs.

However, they add, such restructuring may be less comprehensive than in other industries, due to freight considerations.

Food industry products are typically bulky and of low value. "The shipping costs might overcome any savings from rationalisation," speculates Mr Bruce Murray, an analyst with Nesbitt Thomson.

"We haven't been able to determine or identify any specific product lines where that sort of rationalisation will work," says Mr Bob Hurlbut, chairman of General Foods' Canadian operations. "There will be some dislocation, but in most instances, we are as cost-effective as our US plants."

Philharmonia Orchestra

Music Director: *Giuseppe Sinopoli*

Essential Concertgoing

Th[redacted]und

"A Silky sheen of sensuous tone"
The Guardian, November '87

"The orchestra showed that it can play with Germanic luxuriance"
The Times, November '87

"The Orchestral playing was superlative, lucid and vividly coloured"
Financial Times, June '87

"An impressively illustrious team"
The Times, October '87

Th[redacted]rts

Since its creation as a handpicked orchestra of world standing, the Philharmonia has maintained its high traditions of excellence. Today, Music Director Giuseppe Sinopoli's "genius for making you hear with new ears" (The Guardian) combines with the heritage of Karajan, Klemperer and Muti to produce a distinctive orchestral sound linked to vital interpretative power. These qualities continue to make the Philharmonia both the world's most recorded orchestra and a major force on the international concert platform.

Essential Concertgoing for May to July 1988 features the pick of top international conductors and soloists – all performed with that special 'Philharmonia sound'. There are 11 exciting and varied concerts to choose from:

Diary of Essential Concertgoing May-July 1988

WEDNESDAY 18 MAY AT 7.30PM
Rafael Frühbeck de Burgos conductor
Elizabeth Gale soprano
James Bowman countertenor
Jean Rigby mezzo-soprano
Jonathan Summers bass
The Southend Boy's Choir
Philharmonia Chorus
Mendelssohn A Midsummer Night's Dream – Incidental Music
Orff Carmina Burana

FRIDAY 20 MAY AT 7.30PM
Rafael Frühbeck de Burgos conductor
Murray Perahia piano
Rossini The Italian Girl in Algiers – Overture
Chopin Piano Concerto No. 2
Stravinsky The Rite of Spring

TUESDAY 24 MAY AT 7.30PM
Bernard Haitink conductor
Robert Tear tenor
Richard Watkins horn
Britten The Young Person's Guide to the Orchestra
Britten Serenade for tenor, horn and strings
Strauss Alpine Symphony
Sponsored by The Condé Nast Publications Limited

FRIDAY 27 MAY AT 7.30PM
Bernard Haitink conductor
Emanuel Ax piano
Mozart March, K335
Mozart Piano Concerto No.9, K271
Shostakovich Symphony No.8

SUNDAY 29 MAY AT 7.30PM
Giuseppe Sinopoli conductor
Leslie Pearson organ
Philharmonia Chorus
Gabrieli Brass Canzona
Stravinsky Symphony of Psalms
Debussy Iberia
Saint-Saëns Symphony No. 3 'Organ'

TUESDAY 31 MAY AT 7.30PM
Giuseppe Sinopoli conductor
Heinrich Schiff cello
Schubert Symphony No.5
Schumann Cello Concerto
Mendelssohn Symphony No. 4 'Italian'
Sponsored by Mitsubishi Electric (UK) Ltd.

MONDAY 6 JUNE AT 7.30PM
Esa-Pekka Salonen conductor
Barry Douglas piano
Berio Ritirata Notturna di Madrid
Liszt Piano Concerto No. 1
Bruckner Symphony No. 4 'Romantic'
Sponsored by

WEDNESDAY 8 JUNE AT 7.30PM
Esa-Pekka Salonen conductor
Alicia de Larrocha piano
Beethoven Piano Concerto No. 4
Stravinsky The Firebird (Complete)
Sponsored by
VANDERBILT

TUESDAY 14 JUNE AT 7.30PM
Kurt Sanderling conductor
Howard Shelley piano
Mozart Piano Concerto No. 24, K491
Shostakovich Symphony No. 15
END·GAMES

THURSDAY 16 JUNE AT 7.30PM
Kurt Sanderling conductor
Cecile Ousset piano
Mozart Don Giovanni – Overture
Beethoven Symphony No. 4
Brahms Piano Concerto No. 2

TUESDAY 5 JULY AT 7.30PM
Giuseppe Sinopoli conductor
Catherine Malfitano soprano
baritone to be announced
Mahler Des Knaben Wunderhorn
Bruckner Symphony No. 7
Sponsored by The Friends of the Philharmonia

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- Write the number of people in your party in the 'No. of Seats' box. You must book the same number of seats for each concert.
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- Complete the method of payment section, and fill in your name, address and telephone numbers.
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SEATING AREA	YOU PAY	YOU PAY	YOU PAY	YOU PAY	YOU PAY	YOU PAY	YOU PAY	YOU PAY	YOU PAY
D or E	£36	£46	£56	£66	£75	£84	£92	£99	£106
C or F	£29	£38	£47	£55	£62	£69	£76	£82	£87
G or U	£26	£33	£40	£47	£54	£60	£66	£71	£76
L or P	£23	£30	£36	£43	£49	£54	£59	£64	£68
B or H	£19	£25	£30	£35	£40	£45	£49	£53	£57
J or M	£15	£20	£24	£28	£32	£36	£39	£43	£46
K or N	£13	£17	£20	£24	£27	£30	£33	£36	£38
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Booking Form

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29 MAY	31 MAY	6 JUNE	
8 JUNE	14 JUNE	16 JUNE	5 JULY

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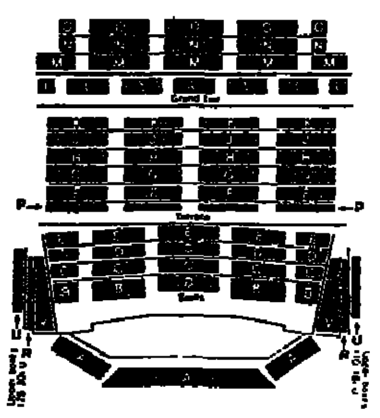


SEATING AREA		ROWS
Stalls	B	A-D inc
	C	E-H inc
	D	K-N inc
	E	O-U inc
Terrace	F	A-C inc
	G	D-H inc
	H	K-O inc
	J	P-U inc
	K	W-Y inc
Grand Tier	L	A-B inc
	M	C-E inc
	N	F-L inc
Annexe	P	A-C inc
Upper Boxes	U	4 seats

This advertisement is sponsored by The Friends of the Philharmonia

MANAGEMENT

Tooling up for a complete service

William Dullforce explains how the Liechtenstein-based Hilti group has carved out a market in specialist building products.

IT IS PERHAPS inevitable that any company founded in a country with just 27,000 people would look beyond its national boundaries. Hilti, established more than 40 years ago in the tiny principality of Liechtenstein, is such a company.

Today, Hilti is one of the world's leading manufacturers of building and industrial fastening systems with an annual turnover of around SFr1.5bn ($1.1bn), of which half is made in Europe and 35 per cent in the US. It has production plants in Liechtenstein, Austria, West Germany, Britain and the US.

A family concern, Hilti has so far successfully defended its territory against such powerful competitors as West Germany's Bosch and AEG, Japan's Makita and Hitachi and Ramset of the US.

Its product niche is supplying builders with tools for drilling, fastening and bonding construction materials. The tools include hand-held machines which drive studs or nails explosively into steel and concrete, rotary hammers and demolition equipment. They extend to heavy-duty "anchors" with holding powers of up to 40 tonnes.

While growing from a five-man workshop started in 1941 by an ambitious engineer, Dr Martin Hilti, into a group with 9,000 employees, nine factories and sales units in 80 countries, Hilti has evolved by trial and error a sophisticated integrated approach to manufacturing, marketing and management.

Growth has been neither steady nor smooth. During the 1980s, for instance, Hilti has had to survive a worldwide recession in the construction industry which triggered a fierce price war and slashed its earnings – not ideal conditions for the founder to start transferring management responsibility to his sons.

Armed with substantial reserves from retained earnings, Hilti reacted to the shock by investing heavily in computerised manufacturing and inventory systems, by cutting personnel, particularly in administration, and by a series of management reorganisations.

Its response has turned into a continuous process. "We never stand still," says Michael Hilti, son of the founder and now the member of the executive board responsible for European sales.

Even if the 12 per cent ratio of net earnings to income

target europe

Hilti

reported last year by the parent company would appear to confirm the recovery from the 1982 slump, group management has called in the Boston Consulting Group to help redefine strategy for the next 15 years.

Marketing has long been the secret of Hilti's ability to hold bigger rivals at bay. It competes not on price but in product quality and service; its tools, designed for high performance, are expensive. The group would have been out of business long ago were it not for two key aspects of its marketing strategy.

First, it sells directly to professional users while most of its competitors act through agents and dealers. Second, it aims at providing a complete service, comprising not only the tools, maintenance and repair but also advice, even acting as consultant on big building projects.

Martin Hilti, still chairman, boasts that his worldwide sales force comes into contact each day with about 30,000 customers. The stress on marketing is reflected in the ever-widening gap between the number of employees in the sales units compared with those directly engaged in manufacturing.

In responding to tougher competition over the past two years it has set about embedding the marketing culture right through the company. Michael Hilti explains: "Up to 1985 we had the traditional, functional organisation with a chairman and responsibility for marketing, production, research and finance divided among executive board members.

"Now we are organised into three market regions (Europe and Africa; Western Hemisphere; Middle and Far East) and into product divisions combining marketing, manufacturing and controlling functions for the main product lines in independently operating units."

Product development has been removed from the old corporate research and development organisation and attached to the new divisions. The three main divisions are cartridge-actuated fasteners, drilling and electric tools, and anchors. There is also a joint venture with Ciba-Geigy, the Swiss chemicals group, in building chemicals.

Responsibility is split by geographical area and product division among the five executive board members. Michael Hilti, for example, combines Europe with the drilling and cartridge-actuated tools divisions.

Top management, he explains, is "first and foremost" responsible for marketing. The re-organisation into product divisions aims at bringing the company even closer to its customers and at increasing its flexibility in responding to their demands.

Other changes have been designed to promote this flexible symbiosis with the market. Beginning in the US and West Germany Hilti, has started to divide its front-line sales force into customer segments.

Computerisation of sales, manufacturing and inventories has also augmented flexibility in responding to the market. Some SFr10m a year has been spent recently on computer support for the sales force while investment in computer-integrated manufacturing equipment has averaged SFr45m a year for the past three years.

When combined with the new computerised warehousing system already functioning at the Schaan, Liechtenstein, plant, the changes in manufacturing have reduced the delivery cycle from six weeks in the 1970s to two weeks and in some instances to one week.

In October the Schaan plant switched smoothly to three-shift production, to meet a surge of orders. This ability in Michael Hilti's view raises the question of the optimal size for a manufacturing unit.

With computerisation, motivation is more important than economies of scale. "We find a maximum of 500 people is about right. In bigger plants communication is more difficult."

Similarly, flexible manufacturing has induced Hilti to re-organise its European production. Previously, several units concentrated on making components which were transported to other plants for assembly.

Now the emphasis is on manufacturing complete products in single plants. Hilti's factory at Birmingham, UK, for instance, produces two basic anchors and a few special anchors which are marketed worldwide, apart from the US and Canada.

Michael Hilti remarks in an aside that the company is producing more cheaply in Birmingham than in Japan. Wage levels and cheaper steel may help but, when Birmingham is working three shifts a day, output per employee is also higher.

What Hilti has been doing in Europe since 1982 is to reinforce, and improve the feedback from, its already extensive sales and service organisation and to mesh it with an increasingly flexible production and product development apparatus.

None of this is specific to the advent of the EC's single market in 1992. It has been prompted by competition and new technology and would have taken place without the move to an internal market.

However, Michael Hilti makes two points about the single market. First, differing national characteristics and technical standards in 1992 will still prevent manufacturers from treating the EC as a unified market.

Second, it is nevertheless important for a pan-European company to ensure closer contact and interchanges between its regional and national managers. Hilti uses different marketing approaches to customers in Germany, who are likely to be, say, specialist electricians or plumbers, from those it employs in France, where artisans tend to be jacks of all trades. These national characteristics will not change in 1992.

When understood, national differences can be exploited, Michael Hilti says. France has "fantastically good statistics" on the building industry, so Hilti's computers can be used more effectively there.

Another aspect Michael Hilti fears will not change is what he sees as the use of national technical standards to protect domestic industries. Hilti would welcome the introduction of uniform EC standards.

This could still pose difficulties for a company which does the larger part of its manufacturing in Liechtenstein and Austria outside the Community. Ministers of the European Free Trade Association plan to raise the standards issue, when they meet their EC colleagues in Brussels next month.

More frequent cross-frontier contacts between managers have become part of Hilti's evolving management style. It now holds annual three-to-five-day gatherings of general managers and senior marketing staff either from Europe or worldwide.

These meetings are "pure exchanges of experience" and create "a lot of motivation", Michael Hilti says. They illustrate the switch from a hierarchical management structure to one "where a manager who runs into a problem can call a colleague in another country for advice without losing face".

Greater communication within management, Hilti believes, is the natural corollary to flexible manufacturing in promoting the group's development into a fully market-orientated producer.

Hilti's ambitions for 1992 and after are mirrored in its brief to the Boston Consulting Group. It was asked to determine how Hilti could best achieve a 10 per cent annual sales increase and a similar growth in return on investment over the next 15 years.

Previous articles in this series appeared on October 14, 21, 29, November 2, 13, 18, 25, December 2, 7, 16 and 21.

Michael Hilti: responsible for both Europe and the drilling and cartridge-actuated tools divisions

A specific place among the giants

LSI Logic is battling to maintain its niche in semiconductors. David Thomas reports

SILICON Valley-based LSI Logic has stood out as an exception to the maxim "big is beautiful" in the electronics industry ever since it was founded in 1981. The brainchild of Wilfred Corrigan, ex-Liverpudlian and ex-chief executive at Fairchild Camera and Instrument, LSI Logic was set up to cater for a niche market: semiconductors which are at least partly customised for particular users, known in the jargon as application specific integrated circuits (ASICs).

So successfully has LSI Logic exploited this niche that its annual sales have passed $250m and it has established a world leadership in a particular type of ASICs, called gate arrays. Its pell-mell growth has been helped by the fact that ASICs have been claiming an ever higher percentage of semiconductor sales worldwide.

But the very buoyancy of LSI Logic's chosen field contains the seed of a threat. The giants of the industry have decided they cannot afford to leave ASICs alone. There is talk of ASICs becoming a commodity market with the big groups finding ways to increase production runs and drive down prices. Are the days numbered when a middle-ranking company like LSI Logic can flourish.

Not at all, was the confident answer given by Corrigan in London last week during a visit to his European operations. Corrigan believes the conditions are still there which will allow LSI Logic to outsmart the giants.

True, the big multinationals are the competitors which LSI Logic worries about. Corrigan dismisses the danger from other medium-sized companies. For instance, he says Plessey, the UK electronics group that in November acquired the semiconductor operations of Ferranti, lacks sufficient presence in world markets to be a major threat.

The next six biggest gate array companies after LSI Logic are all Japanese, Corrigan says. But he reckons that LSI Logic's size, structure and management style are all assets in fending them off.

- **Size:** because LSI Logic can concentrate wholly on small batch demand which characterises the ASIC market. "It helps to be focussed. Much of the business is 1,000 pieces a month or less."

By contrast, Corrigan argues, "where we see the Japanese as being most aggressive is in the highest volume part of the marketplace."

- **Structure:** because LSI Logic has deliberately spread its activities to be close to its customers. A plant in the UK and one in West Germany are the latest additions to its existing production capacity of three factories in the US and one in Japan.

These factories are backed up by a network of design centres, where the precise specifications of the chips needed by its customers are worked out. These are also increasingly being supplemented by having workstations on customers' premises to help produce the designs.

- **Management style:** LSI Logic has recruited top managers locally in its national subsidiaries because, in Corrigan's words, "Germans then talk to German customers, Englishmen talk to English customers and so on."

This differs from his Japanese rivals, says Corrigan. "Typically the way they're organised is that the top line of mangement is always Japanese and all decisions have to go back to Tokyo."

So while Corrigan is confident about the future, he also believes that LSI Logic has to adapt to its swiftly changing environment. Part of this involves keeping ahead technologically – Corrigan believes Ferranti lost its world lead in gate arrays by failing to do this. LSI Logic is busy acquiring both microprocessor and the next generation of ASIC technology.

Corrigan is also one of the driving forces behind Sematech, the US Government-backed initiative drawing together leading US chip companies tocollaborate in fighting off the Japanese challenge. There are, it appears, times when even a company as self-confident as LSI Logic has to find a larger umbrella under which to shelter.

هكذا من الأصل

ARTS

The Edge of Silence

Clement Crisp

There is soon going to have to be a close season on ballets about death and the hereafter. And there must be some sort of interdict on nebulous wavings of arms, intimations of immortality, and agitated collapses to the ground in the cause of repentance. These resolutions, which I offer to ballet managements everywhere, are inspired by the first performance of Graham Lustig's *The Edge of Silence* which was given as part of the Sadler's Wells Royal Ballet quadruple bill at its home theatre on Thursday.

The evening had begun in brightest spirits with a vivacious account of David Bintley's *Allegri Diversi*, that happy occasion for three couples – Karen Donovan and Peter Jacobson; Sandra Madgwick and Iain Webb; Anne Little and Kevin O'Hare – to flirt with the pretty Rossini music, matching its roulades with their own technical fioriturі. They looked at their best, and gave of their best, and we could rejoice with them. Mr Lustig's new work soon put a stop to all that.

It is concerned with the nether regions, with a poem by Kathleen Raine about the world travelling through the void, and peripherally with Alfred Schnitke's concerto for piano and string orchestra (excellently done by Stephen Lade and the SWRB orchestra under Ormsby Wilkins). There is an impressive setting of curved shapes beneath a lurid sky by Nadine Baylis, admirably lit by John B. Read, and a cast identified as Guides, Travellers and Guardians, who are involved in that familiar trudge to spiritual enlightenment that I now think of as Limbo dancing.

Everything is predictable, from the crowd of the damned in their no-coloured outfits, who mop and mow and register disquiet, to the central characters – Leanne Benjamin and Kevin O'Hare, Marion Tait and Joseph Cipolla – who eventually get new clothes and are presumably on their way to Better Things at curtain fall. It is all perfectly sincere, well-intentioned – the way to this balletic purgatory is paved with the stuff – decently made, and relieved by moments of Mr Lustig's undoubted talent.

It is also exquisitely obvious. Well, Mr Lustig had got it out of his system and on to the stage. Now to better,less gloomy things.

Not, perhaps, in this programme, which brought the first London appearance of some Czechoslovakian guests in an anxious dance piece set to Janacek's first string quartet. Peter Wright has invited the Czech choreographer Pavel Smok to present three dancers from his Prague Chamber Ballet in *The Kreutzer Sonata*. Janacek's score, superbly played by the Kocian Quartet from Prague, also making their British debut, is inspired by the themes of Tolstoy's novel which gives Mr Smok's ballet its title. The choreography, alert to the music's quick changes of mood, proposes – oh dear – a study of woman's hapless plight in marriage and society. The three dancers – Katerina Frankova-Dedkova, Vladimir Kloubek, Ladislav Rajn – emote determinedly, but their style and the dance language rely more upon our reading meaning into some rather basic movement than upon any innate expressivity. In their cursory brown outfits, the cast are made to look like Hobbits battling with angst.

The evening ends with the first London showing of Michael Corder's *Gloriana*. I reported with pleasure on its premiere in Birmingham a couple of months ago, and I shall hope to comment further after this evening's performance.

Five Smooth Stones/Bush

Michael Coveney

In the first Book of Samuel in the Old Testament, the shepherd David took "five smooth stones from the brook" and approached the Philistine, Goliath. One pebble did for him.

This strange, short piece at the Bush is a more evenly fixed contest between Kevin, a slick advertising executive, and his unpublished poet of a father. We are the audience. It is a weekly bout, with shifting positions of strength. The poet is an overdog, jotting down a play while horizontally embedded. Kevin has a distant commitment to signing some papers (like Pinter's Aston having to get to Sidcup and collect them). Lunch is out of the question. Dad won't fit in. "We're having a barbecue and then we're all going wind-surfing."

Dad talks vainly of a drive down to Barking. A bird-watching holiday in Suffolk is recalled. Dad saw a purple heron through his bins, and has rough words for social conduct in the hides. He is writing a play about a man dying of melancholia, while Kevin is putting through feisty calls to base about deals and jingles. Somewhere along the line we pick up on accusations over Mum's death from alcohol and a flurry of shut doors. There is no room for Dad with Kevin and the childless Carol.

At which point I should interject a word of disapproval. Steve Shill, a gifted auteur in his late 20s, formerly of Impact Theatre, and instigator of an intriguing Hopperesque honeymoon idyll on Cape Cod at the ICA last year (*Face Down*), has shrivelled, not grown. I want to see his talent expand, not contract into a silly Bush Theatre event.

This banal text by Peter Searles is enacted by a fine, wispy Shakespearian Northumberland or some such other lord, Edward Jewesbury, and the author himself as Kevin. Neither is David, neither Goliath.

Their bedroom encounter takes place on 100 black and white square tiles pushed into a corner of the Bush so as to make the place, for the first time, seem vast and unfriendly. The soundtrack comprises Occitan folk songs and choral indications of a Pagan Mass. This noise, with that of gulls, terns and other screechers, is a finely judged ostinato in the contest.

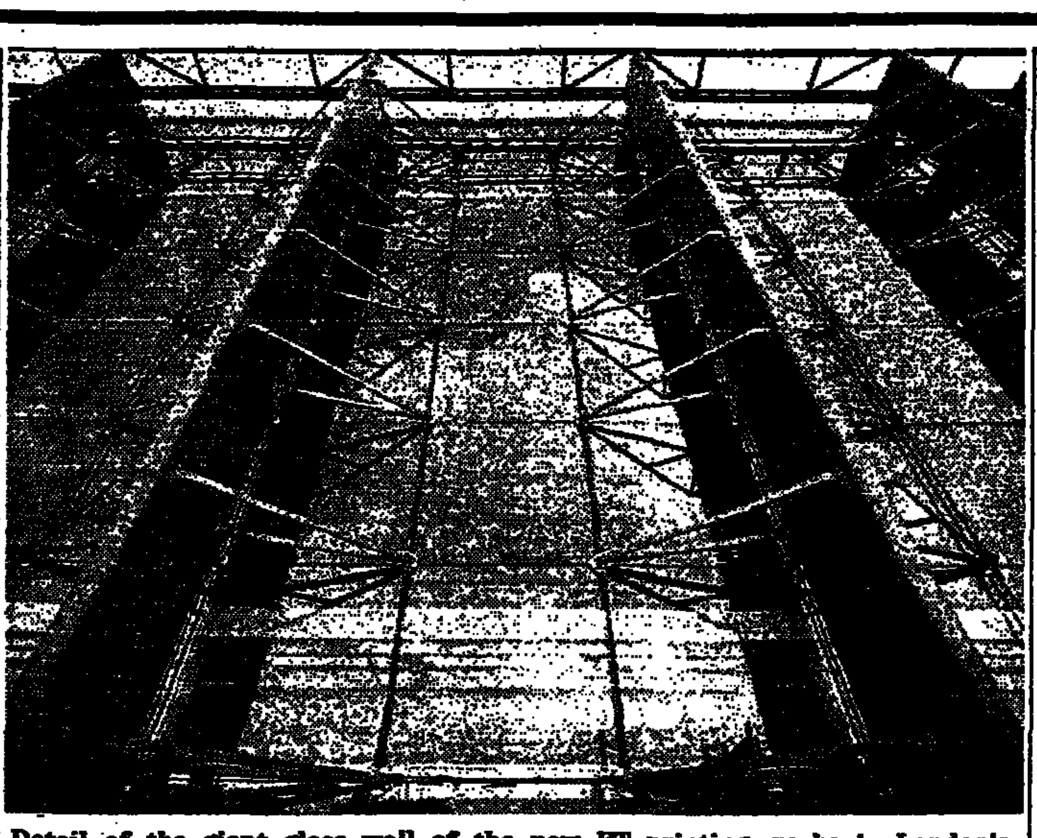
The sound is organised by Graeme Miller and is worthy, in its sensitivity, of an Andrew Lloyd Webber musical. And there by hangs a compliment, not an insult.

I respect Shill's attempt to mix text with atmospherics. But there is no narrative challenge acknowledged or answered in this little self-indulgent exercise. What I do like is the feeling of a theatrical event dropping in on a continuous scenario. A sense of being railroaded into an alien time scale, as you are in Robert Wilson, of overhearing something that is none of your business.

What I do not like is the small, dribbling pretentiousness of the theatrical language, the failure to light rockets while nursing that aspiration, the sheer silly ingrown fringiness of it all.

Baritone bursary

Glyndebourne baritone Gerard Quinn has been awarded a bursary from the Peter Moores Foundation to study at the National Opera Studio in London. He will then rejoin Glyndebourne.



Detail of the giant glass wall of the new FT printing works in London's Docklands, designed by Nicholas Grimshaw and currently nearing completion.

Architecture/Colin Amery

Designs for living

Integrity, probity and veracity are all qualities that we admire in people. They are also important values when it comes to architecture and the fact that they are found rarely only enhances their importance. The work of Nicholas Grimshaw and Partners has a shining integrity of structure and design, qualities which can be examined in a brilliantly conceived and executed exhibition at the Royal Institute of British Architects. (Nicholas Grimshaw and Partners - Product and Process, runs from January 18–30 at the RIBA, 66, Portland Place, London, W1. 10am to 6pm weekdays and 10am to 4 pm on Saturday, admission free.)

For anyone even remotely interested in contemporary architecture this exhibition should not be missed. It is in the same league as the Foster, Rogers, Stirling show that was recently held at the Royal Academy, and shares some of the same reasons for its success as an exhibition. First of all an environment is created that is independent of the actual building housing the exhibition, thus entering the world of the architect's imagination almost as effectively as you would when visiting one of his buildings. In that strange high Florence Hall (not surely named after the city?) the second important factor is the decision to erect full-size elements of Mr Grimshaw's buildings exactly as though you were building them on their own sites.

I do not recall seeing such a well displayed exhibition of contemporary structures anywhere. Haste ye to the RIBA, lovers of the art of architecture; an important and revealing look at the design process is there for a much too brief two weeks.

I have always been very interested in architectural exhibitions because I feel they should not be simply for architects, but held regularly for the enjoyment of the public as well as the enlightenment of clients. It is sad to learn that the wretchedly ineffective RIBA did nothing towards this exhibition except give the architect a modest discount on the high rent charged for the space.

But this is not the place to moan about bureaucrats, rather to applaud the principal sponsors Bovis Construction Limited, and the long list of firms who assisted with contributions towards the catalogue and help in kind towards the erection of the exhibition. I only hope that the RIBA realise that this is just the kind of event that will win friends for the profession.

In case I should be accused of over partiality, it should be pointed out at once that Nicholas Grimshaw is the architect for the new printing works for this newspaper currently under construction on the East India Dock Road in the London Docklands. It is good to report that this looks as though it will be something of a landmark in the Docklands, and that it continues the tradition of good architectural patronage that the FT not only preaches but practices.

The new FT building is only one of 28 projects on show in the exhibition. They cover the period dating from 1967 and include some of those projects designed in an earlier partnership. Grimshaw has has an impressive range of design conscious clients - Citroen, Herman Miller, BMW, IBM, J.Sainsbury, and Rank Xerox. All of these firms are also very demanding when it comes to practicalities and efficiency – it is a testament to them that they have backed their faith in modern design in the only way that counts – by commissioning buildings.

The title of the exhibition is significant: *Product and Process*. Grimshaw is fascinated by the design process and it is clearly exposed in most of these projects. He is also interested, which is evident in the catalogue essay, in the whole process of work and life, and the barbarity of the artificial separation that modern planning has imposed by separating living and working so profoundly. Looking at some of the earliest drawings it can be seen that Grimshaw is making a serious attempt within the everyday world to demonstrate that there is a connection between architectural order and the order, or chaos, of our working lives. There are some people who will find the order imposed by the machine made elements of many of the buildings unsympathetic. I happen to think that they offer a civilising structure and framework for our lives.

I do have some trouble with what might be called the next phase of this sort of architecture. This problem is well demonstrated by the inclusion in the exhibition of the competition proposals for the National Gallery prepared in 1985. Where is the architectural language for a major public site and a public building? What is acceptable for an ice rink in Oxford is not as acceptable for Trafalgar Square. This is not to say that you cannot have new buildings in sensitive historic areas, but it is to say that the question of appropriateness must be asked of any architect working in a context. The architect has taken trouble with the relationship to the context of the new Sainsbury superstore in London's Camden Town. Here, when the building is complete, will be seen an important and successful attempt to relate contemporary design to the everyday architecture of a London suburb.

The standardisation of certain building types is of concern to any cost-conscious client and architect. The Sports Council sponsored standardised sports hall has been designed by the *Grimshaw Partnership* and some 24 have been built. They have a certain anonymity which means they can be eased into a variety of contexts.

It is said that some contemporary architects feel under siege from the (in my view largely mythical) opponents of modern design. They should all take comfort from this exhibition. As Nick Grimshaw himself says in the catalogue - it is not planning that prevents improvements in our environment, it is simply that there are not enough good buildings. This exhibition offers enough powerful examples to silence the opposition for years.

School for London Festival Ballet

London Festival Ballet is to establish a school within the company, and will be auditioning its first students this Spring for the opening in September 1988.

The school will be based at the company's headquarters in Kensington, south London. It will offer a curriculum which gives a thorough training in all aspects of classical dance as well as an insight into the working life of a major ballet company.

The school will be totally self-supporting and £120,000 has already been raised towards the cost of necessary building alterations and expansion.

Britons in New York

It was British music week (and Faber Music week) recently in New York when – by coincidence, not planning – Jonathan Harvey's *Bhakti* and George Benjamin's *Ringed by the Flat Horizon* and his *A Mind of Winter* all had their local premieres, while Oliver Knussen's *Where the Wild Things Are* was playing at the New York City Opera.

Bhakti, one of the most beautiful and visionary works to have come out of IRCAM, was done by Anthony Korf's group Parnassus, in Merkin Hall. Babbitt, Wuorinen, Stefan Wolpe are composers one thinks of as Parnassus' specialities. They are expert players who thrive on challenges, and they met those of the glowing, generous *Bhakti* with something like inspiration. The New York Times seldom welcomes new music with any warmth, but of *Bhakti* its critic, Bernard Holland said: "It is an oddity of the music business that Mr Korf – who may never make it to the stages of the Concertgebouw or the Musikverein – probably served music for this hour, before the audience of a few hundred, better than many of our better-known touring maestros during a career." Parnassus, with a choice, glittering programme would be a good candidate for the Arts Council New Music Network.

A few weeks earlier, Harvey's *Song Offerings* had its American premiere, in one of Ferard Schwarz's Music Today concerts in Merkin. It was also warmly received – and most beautifully sung by Carol Webber.

Kent Nagano chose to make his New York Philharmonic debut conducting *Ringed by the Flat Horizon*, at four concerts. He gave a large-scale, energetic, perhaps overexcitable performance. The long crescendo at the start swelled too swiftly; the graded climaxes seemed all equally loud. But Benjamin's wonderful ear and the freshness of his invention remained apparent. *A Mind of Winter* was done by the Atlantic Sinfonietta, a new young orchestra, in Tully Hall. There was an expert and attractive soloist, Candace Goetz, sure and true at all pitches and all dynamic levels, and an able, sensitive conductor, Peter Cokkinias.

The *Wild Things* was the familiar Corsaro-Sendak production, Karen Beardsley again the Max, slightly coarsened for presentation in the 3000-seat house. I've never cared for the music as much as many people seem to do; the plot is a plebeian travesty of Colette's delicate, beautiful and oral, *L'Enfant et les Sortilèges*, for Ravel. And Knussen's music, conducted by Hal France, was less exquisitely played than it is by the Sinfonietta.

It was done on a double-bill with a disaster, *L'oca del Cairo*: Mozart's fragments completed and scored by Virgilio Mortari, and a new "plot" – in spoken Italian dialogue – written by Corsaro. Singers await the arrival of a new opera, and as the numbers arrive they sing them. The goose waddles on and "lays" a grimacing mannikin who says "Ich bin Mozart" and capers about gleefully through the finale. Ugh!

Last year the Albany Symphony Orchestra - based in the New York State capital - commissioned, performed, and recorded George Lloyd's Eleventh Symphony with the 73-year-old composer conducting. This month Lloyd was back in Albany to conduct the orchestra in his Fourth Symphony. I'd not heard any Lloyd since *John Socman*, a fustian oepra set in Merrie England after Agincourt, appeared during the Festival of Britain, 36 years ago, but I'd read glowing things about the eight symphonies now available on record. Now, after hearing them, I'm shocked that music so banal, going through Mendelssohn, Chaikovsky, and Dvorak procedures with self-indulgent relish, at great length, and often positively cheap in scherzos and finales, should have been championed so insistently. (In the December Gramaphone, Lloyd is called the greatest living symphonist.)

There are merits: visionary moments in the first and second movements of the Fourth, for example. The scoring is expert. And the human story of the composer - who was performed at Covent Garden in 1938, shellshocked on Arctic service during the War, slowly nursed back to creativity, then felled again for a while by the reception accorded to *John Socman* - commands compassion. But how can this music be taken seriously?

Andrew Porter

PLG Young Artists/Purcell Room

Max Loppert

On Friday, the fifth and final showings of the annual Park Lane Group young musicians' series produced a first-rate flautist in Janet Larsson. In recent times there seems to have been an endless stream of effortless young British virtuosos on the instrument (many of them having indeed flowed through this series on their way to wider recognition). Miss Larsson is as good as any I can recall. Her tone is pure and cleanly focussed, her style bright and forward, with an attractive, refreshing way of getting to grips with the considerable (and very different) difficulties posed by her chosen programme.

She was at her best in the work by the series' featured composer Thea Musgrave – which, not coincidentally, showed *her* at her practical, deft, and imaginative composing best. *Narcissus* for solo flute and a digital tape-delay system – this was its British premiere – creates a solo rhapsody upon the classical legend in which, as echoes and reflections enter the narrative, the flute part is enriched by ravishing self-echoes and reflections, expertly timed.

This is a piece that flautists the world over are going to seize on gratefully, as Miss Larsson did. In Henze's early Sonatina (with Richard Shaw at the piano) she was a shade cautious, short on neo-classical irony and wit. But the Denisov and Harvey works also in her selection were given with great verve.

Sharing the bill was a sober, very musicianly Belgian cellist René Berman, accompanied by the pianist Hans ten Hoopen. His choice was perhaps less fortunate: at the end of a long recital, the self-indulgent, long-winded ramblings of the Shnitke Sonata tried the audience's patience as much as it did his technique. But in both Giles Swayne's Four Lyrical Pieces and a long, exotically-flavoured sonata by Jacob ter Veldhuis earlier on, one admired the dexterity and the musical thoroughness without being very much struck by any notable equivalent in personality.

The PLG recent extension of its series format to include early-evening concerts before the main event does not appear to have been rewarded by decent audience attendance. On Friday this was a particular pity, for the Borante Piano Trio, young RAM players already moulded into a mature and mutually responsive ensemble, certainly merited a larger turnout. In Dominic Muldowney's 1985 trio, obsessively turning in upon itself (and upong a handful of fastidiously chosen intervals), the Borante's skill in sustaining the full span of the music was finely measured. Buxton Orr's First Piano Trio was a less worthy object of that skill, but Shostakovich's First *was enthralling*.

Mady Mesplé/Wigmore Hall

David Murray

The pianist Gabriel Tacchino has done something to his arm, and *had to cancel* a Wigmore solo recital last week. One feared a double loss, for he was due to accompany Mady Mesplé on Saturday; fortunately Graham Johnson, our leading accompanist of French song, was available, and Miss Mesplé could scarcely have hoped for a better last-minute partner. They might have been as long-practised a duo as Mesple and Tacchino himself: Johnson revelled unabashed in his solo turns in Obradors, but served Mesplé's turn everywhere with style and sharp-eared sympathy.

Thus a rare opportunity was rescued, for we usually hear Mesplé only on records – and as this recital showed, we miss something. Though a veteran performer, she is far too young to belong to the generation in which her soprano seems to have been raised; still bright, brittle and artfully pretty, the voice etches an elegant, objective line (never very long-breathed) in a uniform timbre without colour-tricks, though precisely attentive to words and to nuances of rhythm. The occasional frayed edge is affecting. On records she can be a model interpreter of music composed when singers were expected to be less obtrusively personal than nowadays, but a whole Mesplé programme can also sound a bit unvaried. What we miss is the charming, communicative *persona* that makes her irresistible in recital, and illuminates her chosen *mélodies*.

In the Poulenc children's-cycle *La courte paille* she proved a perfect teller of bedtime jokes, with a nice line in comic expostulation, and Johnson matched her. Neither of them sounded much more than sincere and careful in their Liszt group, but in four Roussel songs (three early, one late, and all very welcome) they were both impeccably imaginative. Delicate conviction made 'Odelette' seem a much better song than it is, 'Le jardin mouillé' twinkled in piano half-lights, and 'A un jeune Gentilhomme' prompted Mesplé's best operetta-manner.

Their ultra-civilised programme of course included Reynaldo Hahn, whose conservative minor talent gleams when burnished by such performers ('A Chloris' seemed a small gem), and their knowing Obradors group was unalloyed pleasure. Their encores maintained the standard, beginning with a melting Chabrier 'Chanson pour Jeanne': has anybody ever set stiff old Catulle Mendès so tenderly? And will the delighted reception Miss Mesplé got induce her to revisit the Wigmore much, much more often?

Arts Guide

January 15-21

Music

LONDON

London Symphony Orchestra conducted by Wyn Morris with David Golub, piano. Beethoven and Rachmaninov. Barbican Hall (Thur). (638 8891).

PARIS

Orchestre National de France, Radio France Choir: Mozart (Mon). Theatre des Champs Elysees. (47 20 36 37).

Soloists' Choir and Orchestra conducted by Hugues Reiner with Mikhail Rudy: Beethoven, Brahms (Mon). Salle Pleyel. (45 63 88 73).

Ensemble Orchestral de Paris conducted by Gilbert Amy: Ligetti, Gilbert Amy (Tue). Salle Pleyel. (45 63 88 73).

Gidon Kremer, violin, Martha Argerich, piano (Tue). Theatre des Champs Elysees. (47 20 36 37).

Nouvel Orchestre Philharmonique conducted by John Nelson, Francois-Rene Duchable, piano: Berlioz, Ravel (Wed). Radio France. (42 30 15 16).

Orchestre de Paris conducted by Daniel Barenboim: Schoenberg, Bruckner (Wed, Thur). Salle Pleyel. (45 63 88 73).

Orchestre National de France conducted by Kurt Masur, Alexis Weissenberg, Piano: Mendelssohn, Mozart, Brahms (Thur). Theatre des Champs Elysees. (47 20 36 37).

Gabrielli String Quartet: Britten, Elgar, Tchaikovsky (Thur), Salle Gaveau. (45 63 20 30).

ITALY

Milan, Teatro Alla Scala: Maurizio Pollini, piano, Schubert and Liszt (Mon). (80 91 26).

Rome, Auditorium in via Della Conciliazione: Juri Temirkanov conducting Mahler 2 with soprano Larisa Shevcenko and contralto Evgenja Gorochovskaja (Mon and Tue). (65 41 044).

Rome, Oratorio del Gonfalone (via del Gonfalone 32/A): Aulos Quintet. Vivaldi (Thur). (90 18 203).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Student Orchestra conducted by Lucas Vis, with Fred Oldenburg, piano: Roosendael, Ravel, Rachmaninov (Tue). Hartmut Haenchen conducting the Netherlands Philharmonic, with Naum Grubert, piano: Scriabin, Mahler (Wed, Thur). Recital Hall: Robert Holl, bass, accompanied by Rudolf Jansen play Schubert, Stephen, Knab, Pfitzner (Tue). The Muir Quartet: Janacek, Haydn, Brahms (Wed). Arno Bornkamp, saxophone, with Ivo Janssen, piano, and the Beaufort Wind Quintet: Milhaud, Brahms (Thur). (71 83 45).

The Hague, Philipszaal. Alain Lombard conducting the Hague Philharmonic, with Olivier, Charlier, violin: Mozart, Mendelssohn, Beethoven (Tue, Thur). (60 98 10).

Utrecht, *Vredenburg. Hartmut* Haenchen conducting the Netherlands Philharmonic, with Naum Grubert, piano: Scriabin, Mahler (Tue). (31 45 44).

Groningen, Oosterport. The Netherlands Chamber Choir, Schonberg Ensemble and The Hague Percussion Group under Reinbert de Leeuw: Messiaen, Dallapiccola, Ligeti (Tue). The Vocem group with *modern vocal compositions* (Wed). Violin recital by Mark Lubotsky (Thur). (13 10 44).

NEW YORK

Chamber Music Society of Lincoln Center (Alice Tully): Mozart, Peter Lieberson, Brahms (Tue). Lincoln Center (362 1911)

New York Philomusica, Robert Johnson director. Haydn, Shostakovich, Mozart (Mon). Merkin Hall (Goodman House)67th w of Broadway (362 8719).

Tokyo String Quartet. All-Beethoven programme (Wed). Kaufmann Hall, 1395 Lexington Avenue (831 8603).

New York Philharmonic, Zubin Mehta conducting, Maria Joao Pires piano. Wagner, Beethoven, Reich (Tue); Erich Leinsdorf *conducting, Kathleen Battle soprano*, John Aler tenor, Benjamin Luxon baritone, New York Choral Artists directed by Joseph Flummerfelt. Haydn (Thur). Avery Fisher Hall, Lincoln Center (874 2424).

WASHINGTON

National Symphony, Giuseppe Sinopoli conducting. Salvatore *Accardo violin. Verdi, Mendels*sohn, Mahler (Mon); Mstislav Rostropovich conducting, Nicola Ghiuselev bass, Choral Arts Society of Washington directed by Norman Scribner. Bach, Shostakovich (Thur). Concert Hall, Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra *Hall): Hugh Wolff conducting*, Earl Wild piano. Barber, A Rubinstein, Berlioz (Thur). (435 8111).

Opera and Ballet

LONDON

Royal Opera (Covent Garden). The new production by Jean-Pierre. *Ponnelle of Rossini's Italiana in* Algeri is led by Agnes Baltsa and the veteran buffo bass Paolo Montarsolo; but the most distinguished Rossini contributions come from the baritone Alessandro Corbelli, and from the conductor Gabriele Ferro.

English National Opera, (Coliseum). Hansel and Gretel, in the *new production by David Pountney* conducted by Mark Elder, is a triumph of imaginative operatic reworking, powerfully imagined, gracefully achieved. The revival of Der Rosenkavalier introduces Valerie Masterson's Marschallin, supported by Jean Rigby, Rosa Mannion, John Tomlinson, and conductor Christian Badea. The famous Jonathan Miller Mafia-style modernisation of *Rigoletto* has its last-ever ENO performance.

Royal Ballet (Royal). Two performances of Giselle followed by a triple bill.

PARIS

Paris Opera. Orphee aux Enfers is conducted by Lothar Zagrosek with Michel Senechal, tenor, dominating Jean-Louis Martinoty's production of Offenbach's joyous parody of Gluck. (47425750).

Carte Blanche. (Opera Comique). A ballet performance leaving a free hand and a star role to the opera's painters and sculptors. (42960611).

WASHINGTON

Washington Opera (Eisenhower). The company revives its 1986 hit L'Italiana in Algeri with Mimi Lerner and Francois Loup in repertory with Ruddigore. Kennedy Center. (254 3670).

HMS Pinafore (Opera House). Brian *Mcdonald's production stars Ron* Moody and Meg Bussest. Kennedy Center. Ends Feb 6. (254 3770).

L'Etrange Mr Knight/ICA

Martin Hoyle

The increasingly liberal range of reference now understood by the word "mime" cheerily *expanded in an unexpected* direction at the ICA in the Mall for a couple of nights last week when the ingenious and charming Théâtre de la Mandragore from Belgium presented a multi-media show with a vengeance (except that vengeance is not usually perpetrated with the tongue in the cheek); one that hoodwinked your usually perceptive critic for a good few minutes, and illustrated the broad horizons of the London International Mime Festival.

Thyl Beniest is the amiable projectionist whose rickety and rather old-fashioned equipment throws a silent film on to the cinema screen. *L'Etrange Mr Knight* owes much to German expressionism, something to the grotesquerie of James Wale's *Freaks*. The camera roams over a castellated tower; we see a close-up of the scientist Knight, face white, eyes dark pools. Like Baron Frankenstein he has created a monster, Gabriel. The jerky little movements of the figures in the flickering shadows of this black and white world evoke a great era of horror - *Caligari, Nosferatu, The Golem.*

The screen blacks out for the dialogue captions. "Idiot! Put it on the operating table!" Knight orders Gabriel as the servant takes a human head from his portmanteau. Odd limbs are collected, ready for assembling. Gabriel is to have a companion. *The quality of the print is* remarkable; the interior of Knight's study is clearly defined despite its gloomy penumbra and lack of colour – except for the odd flash of pink from eye or mouth. It suddenly dawns that real actors have taken over within a boxed set framed by the screen.

The hour-long show is a seamless blend of film and live action, some of it very funny. The spirit is curiously reminiscent of Punch and Judy, with such innocent bystanders as a gendarme being turned to raw material for further experiments and Knight's beloved daughter Aurore (Sarah Lowe, ashen face, mascara'd eyes, wildly spasmodic gestures), or part of her, undergoing an unfortunate transposition. Marc Hérouet plays his own incidental music at an aptly jangly piano; the joint authors embody respectively the hulking Gabriel (Bruce Ellison) and the frenetic little boffin (Michel Carcan). Part pastiche, part parody, the piece is shot through with affection for the silent cinema and is sometimes wickedly accurate. It is to be hoped that the twitching, tic-ridden cast whose stiffly speeded-up progress so successfully recreates the thrills of the mute screen is not permanently afflicted with St Vitus' dance.

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Monday January 18 1988

The role of the Commons

THE CHECKS and balances in Britain's unwritten constitution do not always work well, especially when, as now, the Government has an overwhelming majority in the House of Commons and the Opposition is ineffective. Yet last week the Commons showed healthy signs of life when, on Tuesday night, the Government's majority was reduced to 47 and, on Friday, was cut down to 37. If the Opposition parties had acted in unison they might have inflicted a worse embarrassment on the Conservatives on Friday. As it is the principal damage was done by the abstention of some 50 Tories while a further 20 voted against their own Government.

In both cases the issues involved are of less immediate interest than are the constitutional implications of the way they were treated. Tuesday's vote was on the Government's proposal to freeze the level of Child Benefit, which is within the letter of the promise made in last year's general election to maintain the benefit in its present form. The Conservative rebels argued that the ordinary voter might take those words to mean that it would be increased in value in the future as it had been in the past. Since the Government makes much of the propriety of sticking by its election manifesto this argument has some force.

Similar measure

Friday's vote was more directly a subject of constitutional concern. Mr Richard Shepherd, the Conservative MP for Aldridge-Brownhills, had sponsored a Private Member's bill to reform Section 2 of the Official Secrets Act. Much of his proposed Protection of Official Information bill reflected a similar measure introduced but later withdrawn by the Prime Minister in 1979. Mr Shepherd, no wishy-washy liberal on matters of confidential information, declared himself willing to discuss amendments with the Home Secretary or the Prime Minister. Yet the Government imposed a three-line Whip on all Conservative members, instructing them to vote against the Shepherd measure.

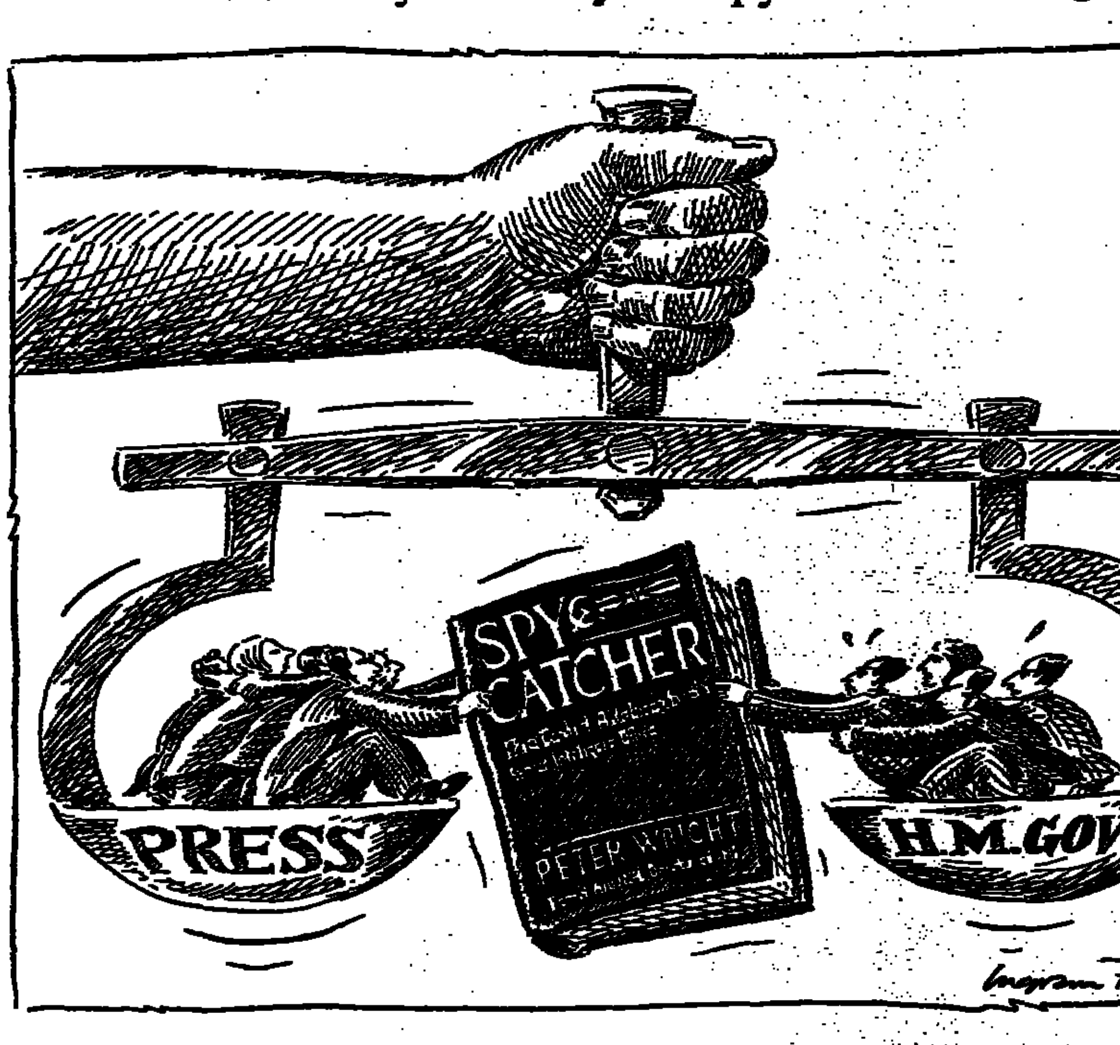
In so doing it rode roughshod over the Parliamentary tradition that Fridays belong to rank-and-file members and that the opinion of the whole House should be heard on bills introduced on that day. More fundamentally, it seemed to be asserting that the views of the executive should not only always prevail but should in important matters be the only view that can be the subject of a serious debate in the House. Lord Hailsham's indelible stamp of the words "elective dictatorship" on British governments has rarely seemed more appropriate. Many of the Conservatives who either voted for Mr Shepherd's bill or abstained did so more out of a sense of the value of an individual member's worth than out of support for the bill itself.

Classic fear

Both the Government and the Opposition parties would do well to ponder these events. In strict constitutional theory MPs do not normally carry defiance of their own party's government very far, lest they force a general election and lose their own seats. In current circumstances that classic fear can be safely ignored. The Conservative Party in parliament, backbenches included, has its own strength, even when the "payroll vote" of serving ministers and their juniors is taken into consideration. The Government ought to feel obliged to take fuller account of opinion among its own supporters. The Labour Party would do well to be on the alert for moments when the Conservatives are sorely divided on matters of major principle.

This is of especial importance at the start of a third term during which a number of highly contentious bills will be under consideration. The Government view is that the House of Lords alone will be the source of any difficulties with the Education reform bill, the Community charge, or indeed the now promised bill to reform the Official Secrets Act. Yet it would be odd if that non-elected chamber were to act as the only check on the elected executive. It would be far better if a vigorous House of Commons, aware of its own significance, were to amend, revise and, where necessary, reject bills before they go to the Upper House.

A. H. Hermann analyses the issues of press freedom and security raised by the Spycatcher hearings



Public interest in the balance

THE SPYCATCHER appeal hearings, opening in London today, will again attempt to clarify the law applying to confidences, state secrets and the freedom of the press. The case was brought against three national newspapers by the Crown, which is asking for permanent prohibition of serialisation or reporting of Mr Peter Wright's book, published abroad and available in the UK. The appeal is against a judgment of Mr Justice Scott who rejected the Crown's application.

The result of the appeal, and of any further appeal to the House of Lords, is bound to have a great impact on the role of the press in the UK and its ability to inform about matters of public interest which the Government or private persons would rather keep secret.

Such requirements of secrecy may be protected by contract – as claimed by the Crown in the present case – by the law of libel or by the Official Secrets Act and, accordingly, enforced either by a judge sitting alone in a case of contract, or with a jury in a case of libel or criminal prosecution under the Official Secrets Act.

The fundamental question is whether a right to free expression, including the freedom of the press, exists in the UK, which has none of the specific guarantees usual in other countries, such as the First Amendment to the US Constitution. Though adhering to the European Convention on Human Rights, which protects freedom of expression in article 10, the UK has not made it part of its domestic law.

The absence of any such guarantee, which parliament, government and courts would have to respect, led Albert Dicey, the most often quoted authority on English constitution, to say that freedom of the press has no basis in English law.

However, this conclusion stems from an obsolete view of law as a system of "rights". In fact, it consists of duties and prohibitions, of which rights are but a mirror image. Underlying any legal system capable of practical application is the assumption that all is allowed that is not prohibited. It follows that the press, and anyone else, is free to publish whatever is not specifically prohibited from publication. The existence of this "freedom of the press" is acknowledged by modern teachers of English law.

The freedom to publish is, of course, subject to restrictions protecting the defence and security of the realm, the administration of justice and, through the law of libel, the honour and good name of individuals. Such restrictions are not contrary to article 10 of the Convention. However, that document tends to lift freedom of the press into the category of "entrenched rights", which are supposed to be treated as superior to lesser rules of law.

The UK does not have any entrenched laws, but the Convention is bound to lead courts to interpret narrowly all laws restricting the freedom of expression. This is so because courts interpret English law in a way that, as far as possible, avoids clashes with the international treaties to which the UK is a party.

A persuasive influence is exercised on English courts by the US approach to press freedom. The First Amendment has, in Professor Ronald Dworkin's words, "the historically central function to ensure that those who wish to speak on matters of political and social controversy are free to do so".

It is now viewed by the Supreme Court of the US not so much as a rule adopted for the benefit of the speaker or writer, but rather as a constitutional device for the advancement and protection of the general welfare of the audience or readership. Consequently, it can be restricted only to accommodate superior requirements of public policy.

The effect of such European and transatlantic influences on English law became evident in 1976, in connection with the Crossman Diaries. Accepting that Cabinet ministers are subject to a duty of confidentiality, Lord Widgery, the Lord Chief Justice, held that this had to be balanced against the calls of public interest, and that the ensuing restrictions on publication ought not to be imposed "beyond the strict requirement of public need".

In contrast to this, a novel consideration, opposed to the audience-benefit approach of the US Supreme Court, was introduced by Lord Templeman and the majority judgment of the House of Lords on August 14 last year, upholding temporary injunctions in the Spycatcher case. The judgment, from which Lords Bridge and Oliver dissented, ultimately rests on Lord Templeman's reasoning that, though the passing of the objectionable information to the book-buying public can be tolerated, its wider dissemination through newspapers would greatly embarrass the security service, impairing its morale and efficiency.

The same approach was adopted in the recent case of Mr Anthony Cavendish, when the Government's Law Officers let it be known that they did not intend to initiate proceedings against the author as long as his "Christmas card" remained addressed to some 500 of his friends and acquaintances, but immediately applied for an injunction when national newspapers refused to undertake not to reprint parts of it.

It is the very essence of the service which the press provides to the electorate and the country that, from time to time, it prints reports or warnings embarrassing to the government or its agencies. Lord Templeman's doctrine would emasculate the "liberty of the press", which Blackstone, one of the founding fathers of modern English law, said was essential to the nature of a free state.

The Templeman doctrine is based on the assumption that preserving the morale and credibility of the security service is of overriding importance. It leaves unanswered the perennial political question: "Who will guard the guardians?" Nor is it obvious how the new doctrine can be reconciled with common law principles and past decisions.

Relying on the denial of this doctrine by Lord Oliver, Mr Justice Scott said in the judgment now under appeal: "The duty of confidence is not, in my opinion, imposed on newspapers in order to maintain the morale of members of MI5 ... A duty of confidence that operates to keep away from the mass of people information which is freely available to the more sophisticated or better off is not, I think, a duty that a Court of Equity would be likely to construct."

In the light of the Templeman doctrine, the Crown's case corresponds most closely with the ancient prosecution of "seditious libel". That, however, lost most of its attraction to the offended government in 1792, when Fox's Libel Act provided that, in giving a verdict of guilty or not guilty, the jury might consider not only the fact of publication, as before, but also the content. This gave statutory backing to juries which had refused to give a guilty verdict against an author or printer whose criticism of the government or the monarch they considered to be justified.

Another avenue of prosecution, still open to the Crown, is provided by the 1911 Official Secrets Act which, in its present interpretation, rolled back the law to its pre-1792 state by outlawing the communication or the repeating of any official information, however trivial, without providing for a defence of overriding public interest. In the UK, prosecutions under the Act have tended to fail because, as the Clive Ponting case showed, juries are reluctant to convict. Abroad, the enforcement of an English penal statute would be impossible.

However, there is no denying – as came out in the Law Lords' judgment – that the essence of the Spycatcher affair is a conflict of public policy interests. Indeed, the failure to anticipate that Commonwealth courts would see that under the surface layer of a claim for breach of contract lay grave matters of public interest – concerned with security and state secrets – was probably the greatest single factor in the defeat which the Crown suffered in Australia and New Zealand.

Even in the UK, the attempt to base the case against the newspapers on private law, as a breach of contract, and to pursue it in the civil courts sets the Attorney General on a road beset with pitfalls.

The first is that the contract in question may be considered invalid in as far as, by promising perpetual silence, security service officers are giving away something which is not theirs – namely the public's right to know when the Government or its agencies infringe the law of the land. Mr Justice Scott held that allegations of attempts to destabilise the Wilson Government, of the penetration of the services by Soviet agents and of a plot to assassinate President Nasser, of Egypt, were matters which the public must be allowed to know.

The second major pitfall lies in the difference between the duty owed by the original confidant and that of a third party who comes into possession of confidential information. The newspapers' role in a free society enters into the balancing exercise, as does the commonsense rule that, once published, information is no longer confidential.

Finally, there is the question of profits: can these be taken away as the product of an unlawful act? The US Supreme Court decided they could be in the case of ex-CIA agent Frank Snepp, who published an account of his Vietnam experience without submitting the manuscript for vetting by the agency, as he was obliged to do by contract.

Alternatively, there may be a claim for damages for the infringement of the equitable proprietary copyright – as the Government could claim that in all fairness the copyright ought to belong to it because the book resulted from employment in its service and under a seal of confidentiality. Such a copyright claim, said Mr Justice Scott, could have restrained the publication and serialisation of Mr Wright's book, leaving newspapers free to comment and report its contents within the limits of section 6 of the Copyright Act 1956.

A copyright claim could not have achieved all that the Attorney General wanted, but probably would have secured a good deal more than he has achieved so far and with less bother. The second best is often the better choice.

However, the case must be decided on the issues raised at the trial. Because most were argued when the Crown asked for temporary injunctions, this will be like a rerun of an old film, but with the possibility of changes in the plot.

During the first run, the Court of Appeal demonstrated a leaning towards a compromise solution. If it does so again, an appeal to the Lords would be avoidable – although still probable. In such a case, the Law Lords who sat in the first run – and delivered the controversial decision in favour of the Crown – will, as far as possible, avoid sitting on the second run. A new bench may approach the case with a fresh mind.

The Lord Chancellor could take part himself. The issues are certainly grave enough. But the fact that he is also a senior member of the Government, which is a party to the dispute, will probably persuade him to abstain from participation. So it is likely that the most important case of recent times will be decided by a bench including neither the senior Law Lord, Lord Bridge, nor the Lord Chancellor.

The Sandinistas give ground

THE Sandinista Government in Nicaragua has bowed to the inevitable. Faced with the combined hostility of its Central American neighbours and the Reagan Administration's implacable resolve to back a debilitating war, the marxist-orientated government in Managua has agreed to hold direct talks with the US-backed Contra rebels.

There is no disguising the nature of the concession made by Mr. Daniel Ortega, the Nicaraguan President, at the week-end summit of Central American leaders. He has consistently rejected such an option because the Sandinistas regard the Contras as politically unrepresentative puppets of Washington. If negotiations were to take place, so the Sandinistas argued, they had to be with the master – not the dog.

The Contras do not necessarily speak for much of the opposition within Nicaragua nor do they possess very impressive credentials as unified democrats. Nevertheless, it has been clear for some time that they could not be ignored simply because of the political and military muscle provided by the Reagan Administration. Eight years of war have produced no real Contra military successes; but Nicaragua has been weakened sufficiently to sue for peace.

Strategic retreat

Cynics will say that President Ortega is not serious about peace because true peace in Nicaragua on the terms of the agreement made last August in Guatemala by the leaders of Central America involves a profound weakening of Sandinista power. Certainly there is an element of strategic retreat in Mr Ortega accepting not only dialogue with the Contras but ending the state of emergency and introducing an amnesty. He has correctly calculated the Contras are kept afloat by US aid, and that the war can only end if Congress is convinced it is not worth funding.

The Nicaraguan leader held off concessions as long as possible to drag out the peace process and so give the Reagan Administration as little time as possible to seek fresh aid for the Contras. The White House has had requests for such aid frozen since October in order not to be seen to sabotage a genuine attempt at regional self-help.

Peace plan

To have held out any longer would have put President Ortega in the dock for undermining the peace plan for which President Oscar Arias of Costa Rica won the Nobel Peace Prize. More importantly, such a stance would have played into the hands of the Reagan Administration. No matter how calculating President Ortega's action, he deserves credit. At home he risks considerably opposition for giving way so much, especially when Nicaragua has done far more to comply with the Central American peace plan than any other country.

The forthcoming talks with the Contras should breathe new life into the Arias Plan. But the Plan is veering away from its original conception a year ago.

The Plan is increasingly tailored to Nicaragua alone which is precisely what Washington has hoped all along because it gives the Reagan Administration a free hand in the rest of the region. However much President Reagan and his advisors might wring their hands in satisfaction at seeing the Sandinistas squirm, they would be unwise not to give the Sandinistas-Contra dialogue a chance. Any over-confident move in pressing ahead with the Contra aid package would jeopardise these talks which do after all offer a genuine opportunity to reduce tension in the region.

A very mixed School

■The baby boomers who passed through the London School of Economics during the years 1960-65 are organising a reunion on a grand scale later in the year. Heading the small committee formed to organise celebrations is the former Labour MP for Knowsley North, Robert Kilroy-Silk. Another old boy masterminding events is the Conservative MP for Aldridge-Brownhills, Richard Shepherd, whose Private Member's Bill to reform the secrecy laws has caused such a stir.

Shepherd appears to have a way with controversy. When the committee was seeking ideas for a prominent figure from the sixties to speak at one of the proposed dinners, he chipped in with Richard Nixon which led to cries of "over my dead body" from Barry Sheerman, the Huddersfield Labour MP, another former LSE man. The committee has decided instead to approach Pat Moynihan, the New York senator.

It is no coincidence that former LSE students now in the restaurant business, of whom there are several, are closely involved in the consultations. About 2,500 students passed through the LSE during those years which could mean a lot of mouths to feed.

Just how many will attend the celebrations is uncertain. Those who qualify range from the educationist, and how head of Birkbeck College, Dame Tessa Blackstone to the Rolling Stone Mick Jagger and the Secretary of State for Health and Social Security, John Moore. The event will fulfill an additional purpose of raising money for new LSE halls of residence.

According to Sheerman, ex-LSE students divide themselves into two camps. The proletariat say 'we went to the LSE'. The aristocrats simply call it 'The School'.

OBSERVER

Pommie Tribute

■An obscure rhyme haunts us and can help mark a certain bicentenary.
In Australia
inter alia
mediocrities
think they're Socrates.

Haunting Monk

■Barker & Dobson's writ for alleged libel last week against its substantially larger bid target, Dee Corporation has an interesting precedent.

Dee, now Britain's third largest grocery group, was created from the former Linfood Holdings, under the guiding chairmanship of Alec Monk. In late 1982 – almost two years after Monk moved in – Linfood embarked on a contested bid battle for Fitch Lovell, another groceries group. Who firedoff writs? Monk's Linfood. The bidder alleged that statements contained in Fitch Lovell's defence document were defamatory of both itself and its directors.

In that case, according to those with good memories, the legal action eventually petered out – as did the bid itself in the face of a Monopolies and Merger Commission reference and a subsequent auction for Fitch's Key Markets chain. Still, perhaps Monk would not be too upset if the pattern were to be repeated. Dee is currently urging the MMC were to take a closer look at B&D's financing arrangements.

Fence-sitting

■Once a civil servant always a civil servant. Sir Alec Cairncross, one of the doyens of the post-war period, concludes his review of Michael J Hogan's book on the Marshall Plan in the current issue of the Times Literary Supplement: "Though it suffers from prolixity, repetitiveness and gobbledegook, it

"Ever since I voted for Richard Shepherd's Bill, I've had a fixation that my phone is tapped."

represents a prodigious effort of research and covers an important subject with great thoroughness and comprehensiveness."

Some of us would have liked to know whether Cairncross thinks we should bother to read the book.

Butlers in Bonn

■Lord Home, a former Prime Minister, used to say that a possible solution to unemployment would be for more people to enter domestic service. The shake-out in the City may be contributing.

A financial consultant who sensed trouble ahead last year began retrenching by dismissing his butler, a man on £160 a week, plus a small car, Bupa care, food and lodging. The butler had no difficulty in finding a new job and is now placed in a diplomatic residence in Bonn, the capital city where too many foreigners have always chased too few Germans. So the butler has plenty to do in the way of organising dinner parties and so on. Run of the mill cocktail parties are left to underlings.

His ex-employer has now fallen on even harder times and – on the man's advice – is also seeking a job as a butler in Bonn.

Apparently, it is quite easy to do, provided that you have the right bearing and attitude. It takes eight weeks' training and the most remunerative places to seek service are Dallas, Houston and parts of Florida where butlers' pay is running at between $30,000-55,000 a year, plus all the perks like the rest of the domestic staff looking after you.

It is really, says an expert in the field, a new kind of job called butler-administrator or butler-manager. Not only ex-City people are applying, but also army officers and undergraduates.

One wonders what Jeeves, who never allowed himself to be called a butler, would think of all that.

French diplomacy

■The French Government is very keen at the moment to demonstrate its European spirit, which in France is considered to be a vote-catcher. Last week it organised a major symposium in Paris on the burning question of Europe's "cultural identity".

A British participant, speaking in French, aroused some interest by quoting a recent Encounter article on the subject. But when she offered the original text for photocopying so that it could be made generally available, she was told "I'm sorry. We can't distribute this – it's not in French."

Economics lesson

■Seasonally adjusted, the Great Lakes never freeze over.

What does that tell you about the latest American trade figures?

Louise Kehoe reports on the implications of the alliance between Apple and DEC

Uniting against IBM

WHEN the chief executives of Apple Computer and Digital Equipment Corporation announced an important link between the two companies in San Francisco last Friday, the two men presented a study in contrasts. Mr John Sculley, chairman of Apple, smiled and nodded: a consummate marketing man, he is no stranger to the spotlight.

Beside him, apparently less comfortable with all the attention, sat Mr Kenneth Olsen, president of DEC, a visionary engineer who is a more recent convert to the power of marketing. Both men could, however, feel equally pleased with the day's achievement: an agreement that Mr Sculley described as "the beginning of the data communications story of the decade".

On the face of it, the arrangement is a simple technology development pact. Apple, the original personal computer company, and DEC, the inventor of the minicomputer, have agreed to work together on the development of software that will enable their products to be closely linked on computer networks. The relationship has more to it than that, however. Implicitly, the two companies have recognised a common purpose: joining forces to mount a powerful challenge to the dominance of IBM in the office computer market.

Alone, both Apple and DEC have, over the past year, been remarkably successful in their own sectors of the computer business. Working together, they represent a far more potent force. What is more, the move comes at a time when IBM appears unusually vulnerable. IBM's $52 billion in sales last year dwarfs Apple Computer's $2bn and even DEC's $9bn revenues. But the company is weak, industry analysts say, in the "mid-range" and personal computer sectors where DEC and Apple focus, and it lacks a coherent networking strategy for tying all of its computers together.

Industry watchers have for years predicted a link between Apple and DEC because each, in its own sector of the market, represents a strong alternative supplier to IBM. Mr Olsen says that he and Mr Sculley had in fact talked "every summer for years" about the possibility of some collaborative arrangement. According to their colleagues, the two men met informally at industry conferences and developed a strong mutual respect.

Three months ago, however, the companies began formal discussions. It happened, says Mr Sculley, because customers demanded it. More than a third of DEC's customers also own Apple personal computers, he says.

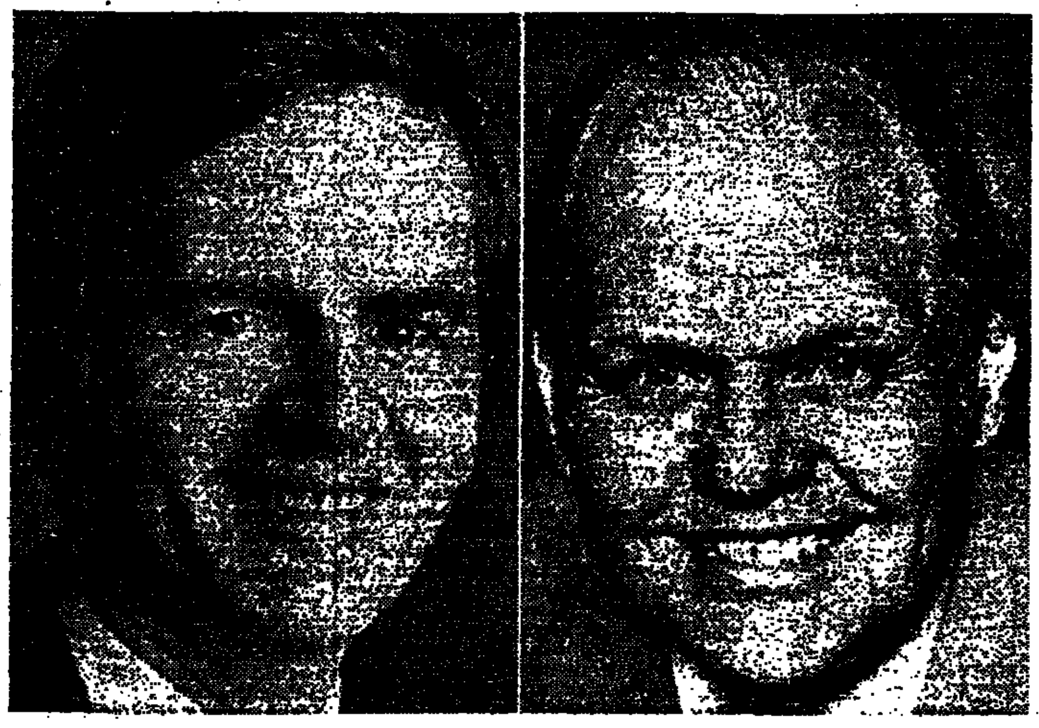
For both companies, the pact makes sense. For Apple Computer, the DEC alliance is a big step forward in the business market for personal computers. Although its innovative – and uniquely easy to use – Macintosh personal computers are at last starting to sell to big companies, Apple still faces hurdles in selling large numbers of computers to corporate users who have largely standardised on IBM and IBM compatible PCs.

The agreement with DEC will "open the door a little wider" for Apple in the business market, Mr Sculley predicts. Analysts say that the company stands to make big gains beyond its currently estimated 8 per cent share of that market – and the gains will largely come at the expense of IBM. With the agreement, Apple retains all of the advantages of its own technology while at the same time becoming "compatible" with a major business computer supplier.

For DEC, the agreement solves a different problem. Although the company has emerged as the dominant force in minicomputers and computer networks, it has never done well with desk-top computers. The Apple Macintosh provides DEC with a very attractive alternative to its own uninspiring IBM-compatible personal computers. And the company cannot fail to benefit from the attention that its pact with Apple will attract, just as stock market analysts are starting to question whether DEC's dramatic growth of the past two years can continue.

The agreement's potential scope is "global" and has no time limits

The formal agreement calls only for joint technology development, with no mention of co-operative marketing, or product licensing. Mr Sculley says however that its potential scope is "global" and has no time limits. Already, the companies' sales forces have begun demonstrating each other's products working together for potential customers. Often, say industry insiders, the Apple Macintosh is presented as the "workstation of choice" by DEC.


Apple's John Sculley (left) and DEC's Kenneth Olsen have "talked every summer for years"

By focusing initially upon the technical problems of linking dissimilar computers, Apple and DEC have addressed the most pressing issue among computer users today. "Connectivity" has become a major challenge as organisations seek ways of sharing data and computer resources throughout their offices.

Much of DEC's success over the past year – its earnings grew by 84 percent in fiscal 1987 – has been related to its ability to provide a range of computers that can be easily and efficiently connected on a network. DEC's Decnet, for long range networks, and Ethernet, for local area networks, have become industry standards.

Apple admires DEC's achievements in achieving communications between its computers. Mr Jean-Louis Gassee, Apple's product development boss, says DEC is obviously the best in the industry at network management. He told a trade paper recently: "There is really no other network management besides DEC. The rest is changing every month. We don't like to play those fad games."

However, Apple has its own smaller-scale networking scheme, called AppleTalk, that can be used to link Macintosh computers and printers for departmental or small business users. Resolving data communications problems between the two approaches will eventually require compromises. In solving those problems, the companies are expected to lean heavily upon existing products that perform the same task, written by specialist third-party suppliers such as Kinetics, a subsidiary of networking specialist Excelan.

The agreement between Apple and DEC "spotlights a trend that was already building," says Tom Cromelin of Kinetics. His company became involved in linking DEC minicomputers to Apple Macintoshes about two years ago, when Apple itself sought a way to connect the DEC VAX minicomputers upon which it stores its corporate database to the hundreds of Macintosh personal computers used throughout its offices. The solution developed for Apple's offices has since been sold to over 300 other companies, Kinetics says.

The move comes at a time when IBM appears vulnerable

Together DEC, Apple and third-party specialist firms represent a significant challenge to IBM. "The old dictum that 'no one has ever been fired for buying IBM' has lost its status as valid folk wisdom," says Dennis Kyne of Dataquest, the US market research firm. "Chief Information Officers whose 'all blue' (all-IBM) product purchases have, in the past, generally met with unquestioned acceptance are now also expected to have a good knowledge of the certainly worthy and perhaps superior solutions offered by DEC."

Much of DEC's success over the past two years can be attributed to IBM's failure to provide a consistent and compatible range of "mid-range" computers. IBM is hampered by a lack of communication between five different computer architectures and four different networking standards – and industry analysts say its latest offering in the mid-range market, the 9370, *has been a big disappointment.*

Similarly, the unquestioning acceptance of IBM's personal computer standards is no longer assured. Despite IBM's claims of success with its new Personal System/2 family of personal computers, industry analysts say that users remain cautious about buying machines for which vital software products have yet to be developed.

DEC's advertising slogan – Digital has it now – applies equally to Apple Computer, says Pam Bliss, another analyst at Dataquest. While Apple has an established 32-bit personal computer with a wide range of applications software, IBM is offering only promises, she suggests.

Still, IBM's promises are bountiful. In the personal computer arena IBM has said it will deliver an operating system that offers features rivaling those of the Macintosh while maintaining compatibility with programs written for its older personal computers. To clean up its mid-range mess, IBM is soon expected to announce a computer codenamed "Silverlake" which is said to smooth out the incompatibilities between its current mid-range products.

IBM has also adopted what it calls a Systems Applications Architecture, designed to provide a common framework for developing and using applications programs across its entire range of computer products, starting with the PS/2 personal computers. If IBM delivers quickly on such strategic products, the computer giant could effectively slam shut the window of opportunity for DEC and Apple. For the moment, however, the windo is open. Hand in hand, IBM's two rivals are rushing to leap though it.

Lombard

Lord Young and rule of law

By Samuel Brittan

LORD YOUNG'S White Paper on the future of the Department of Trade and Industry contains some excellent ideas. But the document is not quite kosher because of its flawed understanding of the market liberalism on which it is supposed to be based.

The best parts of the white paper are the announced ending of the department's sponsoring role for particular industries and the section on restrictive practices.

It will take more than organisational change to offset the usual capture of regulatory bodies by the interests they are supposed to regulate. But at least the push is in the right direction.

The biggest weakness in competition policy concerns old-fashioned restrictive practices such as price rings and cartels. As the white paper remarks, the Director General of Fair Trading has only limited and ineffective powers to investigate seriously damaging cartels. Even if one is uncovered, there are usually no penalties.

Lord Young promises a new law to prohibit agreements with anti-competitive effect, the end of wholesale exceptions and high penalties for breaches. We must await the promised green paper for details, but again the movement is in the right direction.

What then are the reservations? By no means the least important objection is to the peculiar hype in which the white paper is written. The writer seems to think that DTI stands for "Department for Enterprise." The "people who make it happen" are "championed" several times. Policies have been replaced by "initiatives," usually with enterprise added. Many parts read like a send-up of Thatcherism by a hostile satirist.

The biggest gainer from the white paper will be consultants. Half of consultants' first-time fees and two thirds in assisted areas and inner cities for small firms will be paid by the DTI – so long as an "enterprise counsellor" approves. These and other proposals read like a blueprint for Austrian-style corporatism in which whom you know is as important as what you know.

The "man in Whitehall knows best" syndrome is most obvious in proposals to end automatic Regional Development Grants and replace them by selective assistance. If there is to be regional assistance at all it is best for it to be given automatically on the basis of known criteria laid down in advance. There is little to be said for officials trying to second guess what projects are viable even with the aid of business advisers, who inevitably embody the conventional wisdom.

The spill-over of incentives to those who would have acted in any case is a feature of any general economic policy. The depreciation of the dollar benefits US firms who would have exported as much in any case. "Incentive" tax cuts will benefit millions who would have worked just as hard without them.

The attempt to extract all the economic rent from producers in such cases is a typical politician's folly. It will not work because it is impossible to determine even roughly what a businessman would have done without a grant. It will be ineffective as regional policy because businessmen will no longer be able to count on a fixed grant at the planning stage. It will be unfair because companies vigorous enough to be expanding anyway will be put at a cost disadvantage compared with more sluggish competitors.

But above all the switch from automatic rules to discretion is a breach of the ideal of known general and predictable rules applicable to all, an ideal that Friedrich Hayek (who is supposed to influence Mrs Thatcher) calls a government of laws rather than of men.

Of course there was some discretion in regional policy before Lord Young and some general criteria remain. But the move is in the wrong direction. More is at stake than regional details. The issue is whether ministers understand the social market economy in which they profess to believe.

Letters to the Editor

Subsidy could be removed

From Dr J.L. Lambert.

Sir, I could sympathise more with Mr Peter Breen and his trouble with British Rail Network South East (Letters, January 7) were it not for the fact that I, through my taxes, help pay for his daily commuting to London Victoria.

At the same time I – and probably BR management – could agree with him that taking Network SE out of public ownership would ultimately improve things. However, for the Network to break even without the £200m annual Government subsidy would mean that the London commuter would have to pay maybe 30 per cent more right away on his present fare, and possibly an additional 10 per cent later, to offset the resulting loss in traffic. In fact, is not the removal of the London commuter's travel subsidy one of the country's "structural reforms" referred to in your columns in recent days?

The consequential pressure to raise London salaries and weightings to absorb the commuter subsidy removal should cause companies to consider following Shell's example, in moving a major part of its business from London to Chester. When one considers the relative cost of housing and labour shortages now in London and the south east, and the availability of information technology benefits such as broadband speech and data links, surely this is a trend which is inevitable, desirable, and which the commuter subsidy removal would encourage.

It would also pave the way for eventual privatisation for BR Network South East.

J.L. Lambert,
1 Woodpecker Close,
Cobham, Surrey

More than a museum piece

From Mr H.D. Turner.

Sir, Ralph Atkins, in his article on the threatened Settle and Carlisle railway (December 30) associated the line with the privately operated steam railways. This grossly understates the case for retention of the Settle and Carlisle railway, which is not merely based on nostalgia.

The line fulfils a variety of roles relevant to today. It serves commuters, shoppers and ramblers, and forms a lifeline to remote communities along the line. As a high speed route (unique among hill and mountain railways) it is valuable for through traffic and diversions. The speed restrictions Mr Atkins refers to result, I understand, mostly from economies in track maintenance rather than decaying civil engineering structures.

The Settle and Carlisle railway, like the Albert Memorial, is an important piece of Britain's heritage which requires repairs. It is a potential focus for growth in tourism in just the sort of upland area which is likely to feel worst the coming pinch on agriculture. Nevertheless, it is its relevance to today, as part of the national infrastructure, which raises it above the level of mere museum piece. Let us hope therefore that the "glitter of entrepreneurial zeal" will help to carry the day in the "carpeted corridors" of the Department of Transport, to allow this magnificent railway to be retained and developed.

Hugh Turner,
24 Cross Street,
Skipton, North Yorkshire

Women work later on their own wheels

From Ms Gill Hopkins.

Sir, In his examination of the future for the car in London following the City's worst traffic jam (December 19), Kevin Brown fails to identify one important reason why public transport will not replace the car. Few women today relish the prospect of travelling by themselves on public transport once the evening rush hour is over, and regard their car as a key ingredient not only to a social life, but also simply to working late. To try to prevent usage in such circumstances would be a dangerous line of action and unlikely to succeed.

Gill Hopkins,
Lombard North Central PLC,
Lombard House,
3 Princess Way,
Redhill, Surrey

Refund amicably agreed with BR

From Mr Nigel ffooks.

Sir, I don't quite understand the complaints about British Rail and its attitudes to passengers.

I only make two or three train journeys a year, but on January 6 I caught the 7.30 from King's Cross to Newark, anticipating the usual good breakfast on board. Because of "operational difficulties" there was no restaurant car service; and so on my return I asked at the area manager's office for a refund on my ticket.

This was amicably agreed. On January 9 I received a letter, together with a credit slip to show that the full amount of the fare I had paid had been credited to my American Express card.

Nigel ffooks,
123a Gloucester Terrace, W2.

Rail is more reliable than road

From Mr M.B. Gunn.

Sir, Can it really be true? Poor Mr Breen's trains run late (Letters, January 7), so that he misses his early morning coffee and his evening dinner gets cold. My recommendation is that he should take to the roads for a week.

Instead of the occasional signal failure or guard allegedly smitten with sickness, he would exchange a ten-minute delay for an hour's (or longer) delay attributable to traffic jams, idiotic drivers, broken-down cars or everlasting roadworks, not to mention the fatigue of trying to miss runaway dogs and children.

I have travelled daily on the Waterloo line for about 20 years. Of course there have been untold occasions when I sat seething on a train stuck at a red signal when the last train on the line went through ages before, and there have been local areas where the service has at times been dreadful – for example on the Waterloo and City line.

But in my experience the railway is a reasonably sophisticated and well-oiled machine with many hundreds of parts which have to dovetail into each other within minutes if not seconds, every day, twice a day. The fact that it runs as well as it does is a credit to those operating the system.

Mr Breen's real complaint is that he lives in the south of England. As a result he journeys to work daily with several million others, and hits a few snags. If you don't like the heat, don't stand in the kitchen.

M.B. Gunn,
6 Fullner Way,
Woodham,
Weybridge, Surrey

High interest rates are seen as a kind of cold shower

From Mr Peter McGregor.

Sir, At first sight there may seem nothing to link Samuel Brittan's piece ("Baise UK interest rates when sterling allows," January 7) with Mr Peter Breen's letter ("A year in the life of a commuter," January 7). In reality they are part of the same dreadful story of a country which seems to look on high interest rates as a kind of cold shower to keep everyone up to the mark - like a market economy version of Sir Stafford Cripps' austerity programmes - and which looks on investment in tangible assets (especially public assets) as a very doubtful proposition indeed.

High interest rates might be calculated to produce a high savings ratio, even if they discouraged investment. In fact they seem to result merely in high profits for moneylenders, and high consumer expenditure on credit – and in financial institutions finding an investment outlet by financing office blocks to be let to other financial institutions.

The whole London commuter rail service (like the motorway system) is a disgrace, but a good deal of the problem lies with under-investment in rolling stock and systems.

Network South East's solution was an advertising "hype" accompanied by painting the clapped-out old diesel multiple unit stock in fancy colours. Underground stock on many lines should have been replaced long ago, and many Underground stations have too few escalators (Green Park, for example, where one has been out of action since December 3). The whole system has a run-down, tatty appearance (no one seems to be in charge of it, but that is another story). One can imagine each investment decision being subjected to some kind of analysis based upon some kind of estimation of interest rates, which in turn are looked on as a regulator of "the amount of growth which the economy can stand." It is perhaps not surprising that the answer has been so often "don't invest" or "limit the investment."

I discovered, arguing with the Government some time ago about a proposed privately financed road in the Midlands, that the Treasury did not think that any economic advantage is gained by building a road earlier than it would have been built by using private finance rather than waiting in the public finance queue. This led me to ask the Minister concerned why, therefore he invested anything. (Since it was 1984 it seemed appropriate to think that, for the Treasury, "Assets are Liabilities;" I asked the question in jest, but it seems to me that there is many a true word in it.)

There is something wrong with this country's approach to investment, especially in the public sector. Using interest rates as a regulator to the extent that some people would like is clearly not helpful.

Peter McGregor,
Dacres,
Troutstream Way,
Loudwater, Hertfordshire

FINANCIAL TIMES

Monday January 18 1988

Janet Bush on Wall Street

NYSE test may steady the market

LAST FRIDAY must rank as one of the least volatile days in the equity market for some time. After a predictable jump of 54.55 points during the first hour of trading in response to news of a sharp narrowing in the US trade deficit in November, the Dow Jones industrial average fluctuated within a 15-point range for most of the rest of the day.

It was the sort of trading session any member of the Brady Commission would applaud. The market moved in a predictable direction for a good reason – a piece of news about the economy. The sustained gain of about 50 points was only about as large as those sharp little five-minute opening rallies which have occurred on numerous occasions in the past few months – almost entirely due to programmed arbitrage trades and almost always accompanied by a complete absence of news.

It was almost a perfect day for traditionalists, many of whom will have welcomed the New York Stock Exchange's announcement last Thursday of a six-day experiment to limit programme trading.

Almost perfect. A little bit of badness crept into trading right at the end of the day when the expiration of January futures on the Major Market Index caused some programme selling.

Now that the trade figures are out of the way, there seems to be a distinct possibility that the NYSE's experimental curbs on programme traders may not get a proper test. The guidelines for the experiment are that, if the Dow should rise or fall 75 points or more from the previous day's close, programme traders should refrain from using the exchange's Superdot system to execute trades for the rest of that session. The experiment is due to finish on Friday.

That the NYSE proposed this test at all, and obtained the agreement of leading member firms, is remarkable. Recommendations embodied in the Brady Commission report of "circuit breakers," such as trading halts and price limits, were summarily dismissed as naive – given a staunchly free-market investment community and Administration.

Cynics may suggest that the member firms who lent their support to the scheme reckoned it would never be tested.

However, a more conservative attitude seems to be emerging within the securities industry, born of genuine concern about the health of the market. Even strong advocates of portfolio insurance (in which trades are carried out according to predetermined formulae by computers) as an effective and safe strategy for investors have started to express concern when those strategies can mean $20bn of funds moving in one direction simultaneously.

Diehard free marketeers are beginning to weigh the horror of limits being imposed on trading against the impact on investor psychology of the extreme volatility which seems to be built into the market these days. Indeed, it was this concern which the NYSE cited as the motivation behind its experimental curbs.

The army of small investors which has swarmed into the equity market in the very last months of its long bull phase simply has not returned since the crash. In the longer term, that is worrying for companies which need to raise capital in the market and for others which want to list their shares for the first time.

For weeks now, as the market has seemed dominated by technical trading (much of it programmed), dealers have expressed their discomfort. The 140-point fall two Fridays ago came out of the blue, and frightened professionals just as much as the public who used to invest in the market.

It brought the realisation, perhaps for the first time since the crash, that the market could stage another collapse at any time. The NYSE's experiment is one sign that, finally, there is a strong constituency in the securities industry which feels something has at least to be tried to bring the market back in control.

There seems to be less short-termism (one of Mr Nigel Lawson's favourite criticisms against economists and the financial markets they serve). Most Wall Street economists, while expressing relief that Friday's trade figures had improved from October's horrendous record deficit, still take a sombre view of America's trade problem. After all, monthly deficits of $15.4bn, if you take an average of October and November, are nothing to get excited about.

The studied good sense of Wall Street reactions should contribute to efforts by the NYSE, among others, to promote a less extreme climate in which the stock market can quietly recover its confidence and its reputation with the investing public.

MOVE SEEN AS DETERMINATION TO PUT DOWN ANY FURTHER INSURRECTION

Alfonsin troops told to seize base

BY OUR BUENOS AIRES CORRESPONDENT

THE HEAD of the Argentine army, Gen Jose Caridi, last night ordered three regiments to march against Col Aldo Rico, as the rebel officer reportedly dug in at a military base in the north.

The units were instructed to retake an infantry base outside Monte Caseros, a town in Corrientes province 500 miles north of the capital.

The Government's forces were led by Gen Juan Mabragana, commander of the second army corps, who set up an operations base at the Curuzu Cuatia military base some 50 miles from the rebels.

Reports said that Col Rico led his rebels out of the base to take up machine-gun and mortar positions in and around the town.

Earlier, it had been suggested he might again flee over the border to Brazil or Uruguay, but the rebels' action prompted fears they were set on a confrontation with General Caridi.

Unconfirmed reports said that several bridges had been blown up at Monte Caseros.

The reaction of government forces led by Gen Juan Mabragana, commander of the Army Second Corps, was seen as a sign that the Government was determined to put down any further insurrection by Col Rico, who came to notice as the leader of last year's Easter uprising by middle-ranking army officers opposed to human rights trials.

With government forces closing down telecommunications in the region, confusion surrounded developments at Monte Caseros. Earlier, it was said that the commander of the Fourth Infantry Regiment based there and some of his officers and troops had sided with Col Rico.

Both the authorities and the rebels went to some lengths to stress that Col Rico's latest insurrection was not a threat to constitutional order but a purely internal military matter. Observers commented that this did not diminish the implied threat to President Alfonsin's ability to govern the country during the remaining two years of his term in office.

Against that, General Caridi's success in mobilising army units against Col Rico both last Friday and yesterday contrasted strongly with the failure of his predecessor as army commander, Gen Hector Rios Erenu, to put down the Easter uprising.

Observers said this implied that at least part of the army officer corps had grown tired of the maverick colonel's open challenge to the chain of command, even if they were out of sympathy with the elected Government.

As forces began advancing towards Monte Caseros, the army issued a statement saying Col Rico – who was declared a fugitive from justice three days ago – had placed himself beyond the law by resorting to violent means. The army warned it would not shrink from an armed confrontation with Col Rico and his rebels, who were unofficially thought to number about 100, if that proved necessary.

Controversy clouds Haiti's election day

BY MICHAEL TARR IN PORT-AU-PRINCE

HAITI'S MILITARY-RUN general elections yesterday were marked by low turnout, disarray and continued controversy, with several leading politicians urging a boycott and frightened voters staying at home.

The hastily rescheduled elections appeared to be badly organised, with many places designated as polling stations bereft of both officials and voters. Small groups voted in some of the stations that operated.

Large numbers of troops and police patrolled the capital, manned check-points and guarded polling stations, but few civilians ventured onto the streets, although there were no immediate reports of violence.

The first attempt to hold the poll on November 29 was abandoned after three hours, following a bloodbath which left at least 34 dead. The army made no attempt then to protect voters.

But in the last week the army had signalled its determination to stop further violence by mounting road blocks throughout the capital, searching cars for weapons, and banning the possession of automatic firearms.

Fears of another outbreak of violence were fuelled when Gen Henri Namphy's provisional government unexpectedly renewed a prohibition barring several leading officials from the Duvalier dictatorship from running as presidential candidates.

The provisional government has run the country since the ruling Duvalier family was ousted in 1986.

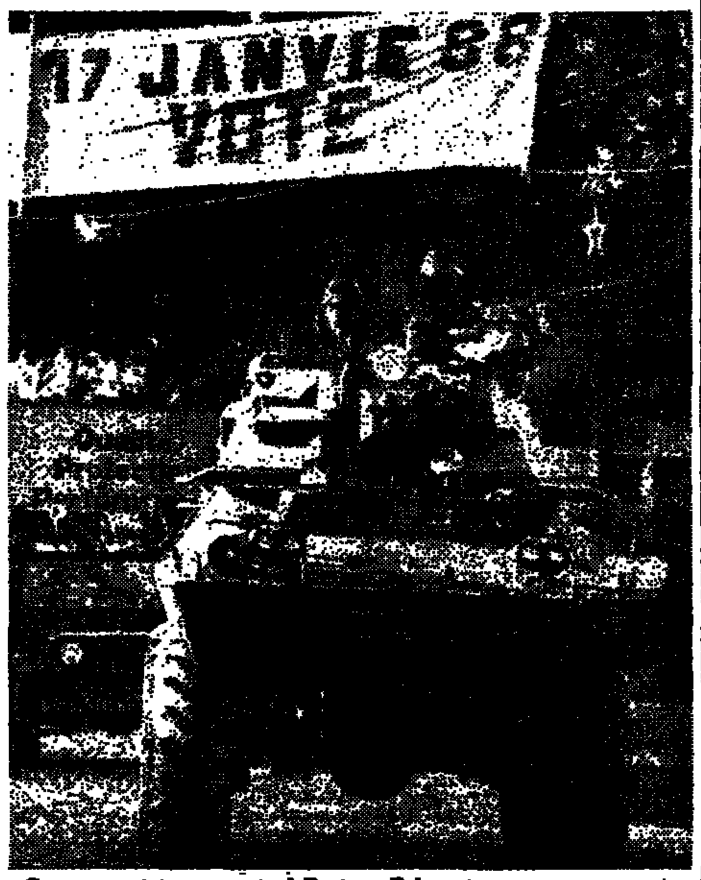
The move was apparently prompted by the wish to gain badly needed international legitimacy for the elections.

Two of the disqualified candidates, Mr Clovis Desinor, the former Finance Minister and retired Gen Claude Raymond, the former Defence and Interior Minister, were widely suspected of organising attacks on polling stations in November, with the complicity of senior army officers.

There were also unconfirmed reports that a large arsenal was siezed from Gen Raymond's home.

The call to boycott yesterday's poll was issued by four centrist presidential candidates, Mr Marc Bazin, Mr Gerard Gourgue, Mr Sylvio Claude and Mr Louis Dejoie Jr, who were tipped as the front runners in the November poll, Haiti's first attempt to hold free elections in 30 years.

Calling themselves the Committee for Democratic Entente, they withdrew from the race in protest at the Government's decision to disband the independent commission responsible for overseeing November's elections and appoint its own electoral authorities.



Government troops patrol Port au Prince to prevent a repeat of the violence which wrecked the previous election

UK concern at Japanese contractors

BY ANDREW TAYLOR IN LONDON

A LEADING British export group, representing the country's biggest construction companies, has issued a stern warning about the pace at which Japanese contractors are increasing their share of international construction markets, particularly in the US and UK.

The Export Group for the Constructional Industries, in a report charting the growing influence of Japanese contractors, said Japanese companies had benefited from having a heavily protected home market.

Export efforts had also been boosted by a substantial Japanese development aid budget, which was planned to double to $7.6bn by 1991 – about five times the expected comparable British aid figure.

The availability of soft loans from Japan for developing countries has generated a considerable volume of work for Japanese construction companies.

The report comes amid deepening concern in the US and UK about the increasing influence of Japanese contractors in these markets.

Just before Christmas the US Congress approved legislation which would prevent Japanese contractors from bidding for any public works in the US.

The resolution was in retaliation against Japanese companies and authorities which Congress said were preventing US companies from winning construction orders in Japan.

Sir Geoffrey Howe, the UK Foreign Secretary, criticised Japanese concessions during a visit to Tokyo last week which would allow US contractors to participate in public projects but would not give the same opportunity to construction companies from other countries.

The report said Japanese contractors had continued to surge ahead, despite the fact that recent studies by the Environment Department and the National Economic Development Office in Britain and Canberra University in Australia had shown that construction industry productivity was lower in Japan than in other countries, including the UK.

The report said this had not prevented the Japanese overseas construction industry from becoming the second or third largest in the world "with a market share still considerably smaller than that of the US but on a par with, or slightly ahead of, the leading European countries".

A 10-nation study of the world's largest construction exporting countries, including the US, Britain, France, Italy, Germany, South Korea and Turkey, showed that Japan's share of international building and civil engineering contracts had risen from 7.1 per cent in 1981 to more than a quarter by 1985.

Mr Gareth Thomas, assistant director of the export group and author of the report, said that the US and UK were now, respectively, the first and fourth most important overseas markets for Japanese contractors.

The expansion in the US and latterly the UK had followed a decline in Middle East orders, which has affected all international construction companies.

Large Japanese construction groups such as Kunagai Gumi, have been particularly active in the London office investment market. Kunagai in one of the largest deals involving a Japanese company, acquired the freehold of the former Post Office headquartrers building at St Martin's-le-Grand in the City of London, subsequently sold to Nomura, the Japanese securities house. More recently, Ohbayashi agreed to pay £143m for Bracken House, home of the Financial Times.

European car sales hit record

Continued from Page 1

model already on sale in continental Europe.

Peugeot moved into third place in the European sales league for the first time, just ahead of Ford, which achieved an 8.3 per cent increase in sales volume.

The weakest performance among the big six car manufacturers in Europe came from General Motors (Opel and Vauxhall). Its market share fell marginally to 10.7 per cent from 11 per cent in 1986 hampered in the crucial mid-range of the market by its ageing Ascona/Cavalier model which is to be replaced later this year.

VW's Golf and Jetta remained the top-selling cars in Europe in 1987 with estimated sales of around 825,000, well ahead of the Fiat Uno (hatchback only) with sales of some 660,000.

In third place was Ford's Escort/Orion (hatchback and saloon) with an estimated European sale of 625,000 followed by GM's Kadett/Astra/Belmont (hatchback and saloon) with 615,000 and the Peugeot 205 (hatchback only) with around 502,000.

Japanese manufacturers sold more cars in West Europe last year than ever before at some 1.39m units, but as demand boomed across the continent their market share slipped marginally to 11.3 per cent from 11.6 per cent in 1986.

Japanese manufacturers' share of European car markets varies hugely according to the limitations set by individual governments and ranged last year from an estimated 0.7 per cent in Italy and 0.8 per cent in Spain to 43.3 per cent in Ireland and 41.9 per cent in Finland.

Japanese cars captured about 14.8 per cent of the West German market, 2.9 per cent of the French market and 11.0 per cent of the UK car market.

According to Automotive Industry Data, the automotive newsletter, European car production was 6.2 per cent higher at the end of the first three quarters of the year, setting a record for the second successive year.

In the first 10 months, France boosted its car production by some 9.9 per cent according to AID, the UK by some 14 per cent, Spain by 10.2 per cent, Italy by 3.2 per cent and West Germany by 2.1 per cent.

Nicaraguan peace bid

Continued from Page 1

the Contras.

The sparse joint communique from the summit, upstaged by Mr Ortega's *coup de theatre*, commits all the signatories to full and immediate compliance with all aspects of the Guatemala agreement.

Mr Arias and his US-allied colleagues, however, made little attempt to disguise the fact that the Esquipulas accords have shrunk from covering all conflicts in Central America to that of Nicaragua.

But all parties appear to recognise that the agreement's future now hinges on the impact Nicaraguan liberalisation measures and the Sandinista-Contra talks have on those congressmen still wavering on Contra aid.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	F	13	55	Malta	F	16	61	Rhodes	S	11	52
Algiers	R	19	66	Edinburgh	F	7	45	Manchester	C	6	43	Rio de J'o	-	—	—
Amsterdam	C	5	41	Faro	F	14	57	Manila	-	—	—	Rome	S	15	59
Athens	S	12	54	Florence	F	14	57	Melbourne	D	18	64	Salzburg	S	7	45
Bahrain	C	20	68	Frankfurt	D	4	39	Mexico City	-	—	—	San Francisco	R	8	46
Bangkok	-	—	—	Funchal	F	16	61	Miami	F	18	64	Seoul	S	1	34
Barcelona	R	13	55	Geneva	C	5	41	Milan	C	7	45	Singapore	C	29	84
Beirut	-	—	—	Gibraltar	R	12	54	Montreal	C	0	32	Stockholm	C	-1	30
Belfast	R	5	41	Glasgow	F	7	45	Moscow	Sn	-2	28	Strasbourg	R	6	43
Belgrade	S	9	48	Guernsey	F	8	46	Munich	F	7	45	Sydney	R	20	68
Berlin	R	2	36	Helsinki	Sn	-1	30	Nairobi	F	27	81	Taipei	-	—	—
Biarritz	S	10	50	H. Kong	-	—	—	Naples	S	14	57	Tangier	C	11	52
Bombay	S	32	90	Innsbruck	F	4	39	Nassau	-	—	—	Tel Aviv	R	9	48
Bordeaux	S	12	54	Inverness	C	5	41	New Delhi	S	19	66	Tenerife	F	18	64
Brussels	C	7	45	Islamabad	-	—	—	New York	F	-1	30	Tokyo	C	9	48
Budapest	D	0	32	Istanbul	C	6	43	Nice	F	15	59	Toronto	R	6	43
B. Aires	-	—	—	Jakarta	-	—	—	Nicosia	-	—	—	Tunis	F	18	64
Cairo	F	15	59	Jersey	C	7	45	Oporto	S	13	55	Valencia	C	14	57
Cape Town	S	27	81	Jo'burg	S	23	73	Oslo	C	2	36	Venice	C	6	43
Caracas	-	—	—	Lima	-	—	—	Paris	C	7	45	Vienna	D	-1	30
Casablanca	R	11	52	Lisbon	S	13	55	Peking	S	5	41	Warsaw	Fg	1	34
Chicago	R	3	37	London	S	4	39	Prague	F	-1	30	Washington	F	-1	30
Cologne	C	7	45	Los Angeles	R	10	50	Reykjavik	F	-3	27	Zurich	R	4	39
Copenhagen	R	3	37	Luxembourg	C	5	41								
Corfu	S	14	57	Madrid	R	9	48								
Dallas	F	12	54	Majorca	D	15	59								
Dublin	C	6	43	Malaga	C	12	54								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Mixed blessing for US

Continued from Page 1

Nobel Prize last year, said in a US television interview yesterday: "If President Ortega acts in good faith and complies, then I think there will be no votes in Congress for aid to the Contras."

The Reagan Administration indicated last year that it would seek $270m from Congress to fund the Contras. But it withheld the request while the regional peace plan evolved. However, small batches of Contra aid, totalling abot $20m, were approved by Congress to maintain the guerrillas as a viable force over the past three months.

The Reagan Administration is expected to hold out for immediate political talks to pave the way for democratic elections and freedom of the press in Nicaragua. As a first step, the US State Department last week encouraged Contra leaders to meet the Nicaraguan political opposition in Guatemala, according to reports in Washington.

Four of the internal opposition leaders were arrested on their return to Managua.

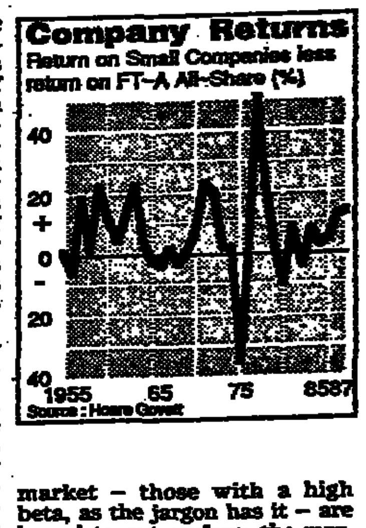
THE LEX COLUMN

Why small is bountiful

Stock markets around the world are becoming increasingly familiar with the curious and persistent tendency of small companies to perform better than big ones. The phenomenon was first clearly identified a decade or so ago but has yet to be satisfactorily explained: while it is obvious that a company with sales of £10m can double in size faster than a GEC or a Unilever, it is less clear why share prices should consistently fail to reflect the fact.

The record of small companies is the more remarkable in the light of the October crash. It might be expected that small stocks would be bid up in the last phase of a bull market, as the bigger and more familiar stocks became grossly overvalued. In fact, whereas the All-Share index peaked on July 16 last year, the Hoare Govett Smaller Companies Index (HGSC) did not peak until October 2.

It would then be expected that small companies would fall further and faster than big ones, especially as their shrinking marketability made them harder to shift. By the year end, the All-Share had fallen 29 per cent from its peak, the HGSC by 31 per cent. But this came nowhere near cancelling the earlier gains and over the year as a whole the total return on the HGSC was 21.1 per cent against 7.9 per cent on the All-Share. The resulting out-performance of 13.2 per cent made 1987 a good year for small companies, being more than double the long-run average of 6 per cent since 1955.



Source: Hoare Govett

International

The whole phenomenon seems first to have been defined in the late 1970s by Rolf Banz of the University of Chicago, who demonstrated that over a very long period small companies on the US stock market had out-performed by a similar figure of around 6 per cent. Since then, what has become known to academics as the "size effect" has been identified in Japan, Canada, Belgium, Finland, France, West Germany and Australia. In the UK, comprehensive data became available last year with the first publication of the Hoare Govett index, based on work by Dr Elroy Dimson and Professor Paul Marsh of the London Business School.

Of the arguments put forward to justify the size effect, some work better than others and none is satisfactory on its own. It is said, for instance, that companies which tend to rise and fall by more than the market – those with a high beta, as the jargon has it – are bound to out-perform the market over the long haul, since over the long haul the market is rising. But whereas in the US the collective beta for small companies is above the market average, in the UK it is actually below (for the HGSC over the past five years the figure is 0.86, the market average being one).

Tax angle

Another argument popular in the US relates to the tax year, with investors supposedly dumping stocks to realise tax losses in December and buying again in January. It is not easy to see why this would discriminate between small and large companies, unless the two types attracted different classes of investor – low-rate taxpayers attracted to high yields, for instance, or vice versa. But while the yield on the HGSC is currently a little lower than that on the All-Share, 20 years ago it was higher and the HGSC out-performed throughout. Nor is there consistent evidence of small company out-performance at the start of the UK's tax year in April.

The more persuasive arguments have to do with liquidity. Just as less marketable money market instruments, such as local authority bonds, tend to yield more than Treasury bills, there ought to be a discount for illiquidity in equities. Whether this accounts for a performance difference of 6 per cent, even combined with wider spreads and higher dealing costs, is another matter. It might be thought that a pension fund prepared to treat small company holdings as investments rather than trading assets could spread the higher costs over a holding period of 10 years or so and by that time, if the investment was successful, the marketability would have taken care of itself.

On the other hand, most small companies will probably have more private and family shareholders than average. These investors may not be in a position to hold a wide enough spread of shares to diversify their risk properly, in which case it should follow that the high specific risk attached to individual small companies would apply to small companies as a whole. This still does not explain, though, why the sector is not therefore a bargain for the big funds which have the capacity to spread their risk across the 1,200 stocks in the HGSC index.

To an extent, of course, they do. A number of institutions from the Prudential downwards have set up small company funds, either to be marketed publicly or sold in units to other funds under the same roof. It remains to be seen, though, how well the vogue will survive the crash. For a while last year, the steep rise in prices made it profitable for market makers to be holders of small company shares and fund managers of the more conventional type could therefore deal in them as trading instruments. That liquidity has now largely vanished, leaving the field again to the long-term holder.

Self-defeating

Then again, it may be that the whole small company phenomenon is an accident of history, with no relevance for the future. It could also be that the very fact of it becoming known will put an end to it and that its promoters will end up like travel writers who publicise a select little fishing village only to see it turn into Torremolinos.

On that note, a cautionary tale to finish with. Rolf Banz, who researched the size effect in the first place, has in recent years attracted several billion dollars into a company called Dimensional Fund Advisers, which invests in the bottom 20 per cent of the US market by size. The results seem to have been slightly disappointing, simply because the past three or four years have turned out rather poor for small company performance in the US overall. It is undoubtedly true that small companies have gone through similar periods of under-performance in the past and recovered. The alternative possibility is that the movement has run its course, having already proved successful enough to defeat its own ends.

SECTION III

FINANCIAL TIMES SURVEY

Spain's economic recovery in its first two years of Community membership has not blinded it to the realisation that competing in the EC is a hard task. As for the Gonzalez administration, its support has slipped, but no credible alternative has yet appeared, writes **David White**

Magic starts to wear thin

Paul Cox

SPAIN

ON THE first working day after Christmas, the phones started ringing at the Ministry of Industry in Madrid. The clothes-trade people were furious. They had just read about new EC measurements being introduced on January 1 and wanted to know why they had not warned about the new sizes involved multiplying measurements in centimetres by measurements in inches and then dividing them by the old size minus two. Finding one's new shoe size was even more complicated and required measuring the foot.

The story was the Diario 16 newspaper's contribution to Holy Innocents' Day, equivalent to April Fool's. It made an apt comment about how bemused many Spaniards are about the European Community, two years after their long-desired accession.

No member country joined with such wholehearted and unanimous enthusiasm, not even Portugal, the country furthest away from average EC living standards. In recent months a new sense of realism has begun to creep in, and a tougher tone in the Socialist Government's dealings with the Community.

Mr Felipe Gonzalez, the Prime Minister, remains a European zealot. He has learnt to master complex EC issues, and his image abroad has gained in stature just as it has lost its shine at home. Five years makes his administration Spain's longest-lived democratic government of the past century. He may have hoped he could live off having finally got the country into the EC and that this would compensate for the unpopular policies imposed by economic orthodoxy. But the magic of the Common Market is wearing off.

This is far from implying a change of heart, but Madrid is becoming a less compliant partner. Having sampled a first wave of commercial aggression from the EC, Spain is unwilling to go all the way towards an integrated market without a more favourable share-out of funds in return.

Luckily, the running-in period has coincided so far with a strong bout of economic recovery. Demand has been booming. Growth last year was over 4 per cent, roughly double the EC average and the fastest rate of the post-Franco era. Despite the implications of the worldwide stock market collapse, optimism is still high.

But the buying spree, both by gung-ho consumers and by manufacturers re-equipping themselves, has brought in a flood of imports. In some sectors the first cuts in import tariffs on EC goods was enough to break the dam. Spain's deficit with the rest of the Community multiplied by five times between January and October. Final trade figures for 1987 are expected to show an overall gap of $15bn, roughly double the previous year's.

As Mr Gonzalez, who in school football used to play between the posts, expressed it: "They are putting a lot of goals past us."

Anxious about business's ability to compete, the Government is pushing for mergers to create larger, European-scale Spanish enterprises. Rather precipitately, it backed a much-publicised attempt by Banco de Bilbao to take control of the Mastadontic Banesto group.

It has undertaken some privatisation but is not ideologically committed to following the British or recent French model. A strong attachment remains in top ranks to the role the state industrial sector can play in the modernisation process.

These are still early days to measure the results of EC accession. The transition period in industrial goods has five more years to run, and a large part of the farm sector has not yet really joined. But that is not to say that nothing has happened. The trade gap, rapidly whittling down the tourism-based current account surplus, is one dramatic effect. The other side of the coin is an unprecedented inflow of investment from the EC, much of it now going into takeovers of Spanish companies.

One way or another, the face of Spanish business is changing. New figures have gained prominence – from the Kuwaiti Investment Office to Italian real estate operators to the slick new star of Spanish banking, Mr Mario Conde, who has made an agile leap from a pharmaceuticals business to the chairmanship of Banesto, an institution where people were more accustomed to seeing venerable old men and former Franco ministers.

More shake-ups are to be expected, and a period as exciting, after its fashion, as the boom that followed Spain's economic reforms of 1959. Mr Gonzalez sees the next 10 or 12 years as representing probably the biggest opportunity the country has had for a century.

The stock market crash in October ended a euphoric phase for Spanish shares and brought prices back to where they had started the year. But the Government believes the Spanish economy as a whole may get off relatively lightly. The rate of economic expansion was not expected in any case to be sustained. Now, with export prospects reduced, the slowdown promises to be sharper. But internal demand is still expected to provide quite strong growth and investment to remain high.

Above-average growth is needed for the blatant reason that Spain still has the Community's worst unemployment. The 3m who declare themselves to be without work make up over 20 per cent of the active population. The Government's original promise of 800,000 new jobs in its first four-year term proved empty – on the contrary, jobs were lost – but it has since begun to be fulfilled. Between the third quarter of 1985 and the third quarter of last year, some 700,000 salaried jobs were created. On the other hand, the most that can be hoped for in the short term is to absorb new arrivals on the job market, with little impact on the numbers of unemployed.

The Government's pursuit of wage moderation and budgetary restraint, in its bid to bring inflation down to 3 per cent this year, has provoked something of a crisis within the Socialist Party's sister trade union organisation, the UGT. Relations were already touchy when an argument over public sector pay led Mr Nicolas Redondo, the UGT leader and a key Socialist figure, to resign his parliamentary seat.

The clash, the disaffection of some left-wingers and the increasingly obvious gap between the Socialists' worker base and the "beautiful people" who occupy many top jobs have raised the level of interest in next weekend's party conference. But there is little likelihood of real fireworks, or of any strategic shift by the party at this stage.

However, the Government's overall support shows clear symptoms of erosion. After a hot period of school and labour conflicts at the beginning of last year, it had to swallow its pride in local elections. The way things are going, it would lose its outright majority at the next election in 1989 or 1990. Its only comfort is that, between the conservative right under new leadership, former Premier Mr Adolfo Suarez's centrist revival and a host of strong regional parties, none of the opposition forces appears yet to provide a credible alternative.

It came in as Europe's youngest Government, sealing Spain's transition to a modern democracy. It has since made a rapid transition into middle-age. The Socialists have dug themselves into entrenched positions, with regional fiefdoms.

The biggest factor to shake the temptation of complacency, is the continuation of Basque violence, despite recent marked progress in combating the terrorists. In the autonomous Basque region the Socialists have for the past year been participating in a coalition government, thanks to a breach in the Basque nationalist establishment, but as long as the attacks continue there will not be much of an atmosphere for conciliation.

A "carrot and stick" policy involving generous treatment of former ETA members and an all-out police crackdown on both sides of the French-Spanish border has reduced ETA's activists to a handful. The authorities, who are maintaining contacts with ETA in Algeria, believe that the group's organisational structure has been virtually destroyed, but that does not stop the killings and risks making them even more indiscriminate.

Getting France to provide all-out collaboration in tracking down and handing over ETA suspects counts as Spain's biggest recent diplomatic success. Much effort has also gone into long-haul negotiations with Britain over Gibraltar and with the US on the future of American air base facilities. On the first front, some success can be claimed with last month's hard-won agreement on joint civil use of Gibraltar Airport, but the long-term sovereignty question has hardly been touched.

On the second, time is rapidly running out for a compromise, with the Madrid Government in no position to back down, in full view of public opinion, on its demand for removal of the US fighter-bombers based near Madrid. In May, when the current agreement runs out, US forces would theoretically be in a one-year withdrawal phase.

The message which the US is worried Moscow may glean from the Spanish bases issue would be in contradiction with the impression given by Madrid in its discussions with Nato, which foresees a full role in the alliance, even though the terms of the 1986 Nato referendum preclude taking part in the integrated military command structure.

For all the caution with which he approached the Nato question, Mr Gonzalez sets no limits on Spain's willingness to back its allies in the event of conflict. Always with the historical perspective of the Spanish Civil War in mind – a war he suggests might have never happened if there had been more international support – he believes the country has paid too high a price in the past for standing apart.

CONTENTS

Growth remains high and exports have started to pick up, but

Jobless and the trade deficit give cause for concern

THE SPANISH economy maintained its unchallenged position as the fastest-growing in the European Community last year, although 1988 brings with it renewed concern about the sharply widening trade deficit and stubbornly high unemployment.

Growth, although slowing, continues at a nearly double the rate of Spain's EC partners, on the back of booming domestic demand. Exports have begun to pick up again after a setback in 1986, while inflation, though still high by Community standards, is coming down and jobs are being created at nearly twice the rate of other EC countries.

Most analysts appear confident that the favourable trend of the past two years will continue into 1988 although there is now wider uncertainty about the longer term, particularly as the impact of the October stock market crash on the world economy starts to feed through.

The Government's 1988 budget proposals forecast an increase in real gross domestic product of 3.8 per cent this year, following an estimated 4.3 per cent in 1987. This compares with an OECD forecast for Spanish growth of 3.25 per cent. Independent forecasts, which broadly coincided with the Government estimate before October 19, have been revised downwards, pointing to growth of about 3 per cent this year, still comfortably ahead of the pre-crash estimate for average GDP growth of 2.3 per cent in the European Community.

Inflation is forecast by the Government to rise at an average rate of 4 per cent this year, compared with 5.5 per cent in 1987, and broadly in line with an OECD forecast of 4.25 per cent. Some economists, like Mr Jorge Hay of Banco Hispano Americano, are distinctly gloomier and expect the inflation rate to remain roughly the same this year as in 1987. The EC average inflation rate is estimated at 3.4 per cent in 1988.

Mr Guillermo de la Dehesa, the Secretary of State for the Economy, is generally optimistic about the year ahead, but points to two areas of continuing concern — the widening trade deficit and the persistent high level of unemployment.

The Government's room for manoeuvre is tightly circumscribed by the need to modernise Spain's industrial base to boost flagging exports and meet the stiff competitive challenge of EC membership.

Spain needs to maintain faster than average growth to offset the negative effects of the sharp reduction in its tariff barriers following entry to the EC in January 1986 and to continue the current high level of job creation in order to start reducing stubbornly high unemployment. But since growth is based almost exclusively on booming internal demand, sucking in imports of both private and capital goods, the trade gap has widened dramatically.

Economic Indicators

PERCENTAGE CHANGES (unless otherwise indicated)	1986	1987	1988*
Real GDP	3.5	4.3	3.8
Domestic demand	6.2	6.0	5.0
Inflation	8.8	5.3	4.0
Unemployment rate	21.5	20.75	20.25
Balance of payments (% of GDP)	1.9	0.7	-0.5
Budget deficit (% of GDP)	4.5	4.9	4.5

*Forecast

The trade deficit nearly doubled last year to an estimated $15bn, compared with about $7.8bn in 1986. Imports have risen sharply since Spain's entry to the EC, with the largest increase coming in imports from Community partners. In the first nine months of last year, total imports in value terms rose by 25.3 per cent compared with the same period of 1986, while exports were only 11.7 per cent higher.

Domestic demand increased by about 6 per cent in 1987, led by buoyant investment as Spanish companies continued to modernise, and consumers went on a spending spree. Despite higher import prices and an expected slowdown in wage rises, private consumption is likely to go on rising this year — albeit at the slower rate of between 4.5 and 5 per cent. Consumer demand will be stimulated by Government plans for substantial personal tax relief in the 1988 budget, lowering the burden of taxation on average by as much as 10 per cent, by rising employment and the high level of savings.

Fixed investment is also likely to remain firmly expansionary, given healthier company profits, sizeable capital inflows since Spain's accession to the Community and the generally confident business outlook.

At least part of the investment surge can be explained as a catching-up process from the economic squeeze of the early 1980s when investment fell sharply, Mr de la Dehesa says. "We have not yet regained the level of investment in relation to gross domestic product that we had in 1973."

Then investment was running at about 22 per cent of GDP, while savings stood at the equivalent of 23 per cent of GDP. Today, investment stands at about 19 per cent and savings at 21 per cent.

Foreign investment contributed about 15 per cent of total fixed capital investment last year, with West Germany, France and Italy having replaced the US and Japan since EC entry as the leading investors. The booming Spanish stock market also attracted strong interest from overseas investors, particularly the British.

Government concern at the sharply increased trade deficit is eased by substantially increased earnings from services, particularly tourism, which was expected to bring in about $15bn last year, and by a strong rise in gold and foreign currency reserves, which stood at a record $28.4bn at the end of September, an increase of $12.4bn over the position at the start of fiscal 1987.

Nevertheless, despite continuing gains in export markets, the trade deficit and strong domestic demand growth are expected to push the current account of the balance of payments back into deficit this year, probably to a modest 0.5 per cent of GDP.

Unease over the persistent high level of unemployment, at about 20 per cent, compared with an EC average of 11.8 per cent, is offset by the continuing high rate of job creation, which exceeded 3 per cent last year.

But, as Mr de la Dehesa says, the more new jobs the economy generates, the higher the expectations created among jobseekers, particularly women (Spain has a relatively low level of female employment of about 20 per cent, compared with an EC average of 30 per cent), the young and "discouraged" workers, those who have temporarily given up looking for employment.

"We will only see a fast reduction in unemployment after 1992, when the effects of the baby boom of the 1960s and 1970s will be over and much fewer people will be coming onto the labour market," Mr de la Dehesa says.

While critics of current policy might agree with its objectives, they are concerned that the Government has not got the mix right, particularly on the fiscal and monetary side.

Mr Hay of Banco Hispano argues that "the Government has done the opposite of what it should have." He feels consumer demand should have been damped down by raising taxes. "Instead the Government plans to cut income tax by the equivalent of 1 per cent of GDP."

"The Government has given all the wrong signals to the economy," Mr Hay maintains. "With the peseta appreciating, it has maintained high interest rates and encouraged investment in non-tradeable goods."

There is also criticism of Government plans to boost public spending, which some economists feel threaten progress already achieved in cutting the Government's borrowing requirement. The public sector deficit as a proportion of GDP stands at about 5 per cent and the Government has proposed a further increase in public spending this year of 13.5 per cent.

While recognising the limits to growth based on internal demand, Mr de la Dehesa sees no alternative but to maintain its present course

Charles Hodgson

Foreign policy

Bilateral treaty with US hangs in the balance

SPANIARDS CAN be forgiven for believing that their Foreign Ministry is the Ministry for American Affairs. The relationship with the US was the dominant 1987 external policy issue and is foreseen to continue to be so, at least for the first half of this year.

For the first time since a defence pact with the US was cemented in 1953, Spain enters the new year with the future of the all-important bilateral treaty hanging in the balance. Last November Madrid notified Washington that it would not automatically renew the agreement when it expired this May.

The notification meant, at least in theory, that US forces would have to withdraw from Spain by May 1989 if no new agreement had been worked out within the next four months.

Ironically just as General Franco built the US pact into the cornerstone of his foreign policy, for it was the introduction he needed to be admitted into the community of Western nations, so Mr Felipe Gonzalez has turned relations with America into the yardstick by which his management of external affairs should be judged.

What the Socialist Premier is seeking is to eradicate any hint of dependence on the superpower and establish a new framework based on partnership.

In contrast to the base renewal negotiations that the US faces in Greece and in Portugal, money does not come into it in Spain's case. Mr Gonzalez is not raising the stakes in the hope of more aid. In fact, a guiding principle of the Spanish approach to a new bilateral agreement is that there should be no cash spin-offs at all.

There are other distinguishing features to the issue in Spain. A key one is that Madrid, from the very outset of the renewal negotiations in the autumn of 1986, tabled its demands and left it at that point. In this sense the frustrating rounds of talks that have since taken place have dealt essentially with Washington's inability to budge Mr Gonzalez's Government from its opening position.

The symbol of dependence, in Madrid's view, was and is the facilities granted by General Franco, to the US Air Force at the base of Torrejon, just 10 miles north-east of Madrid's city limits. The base is currently home to the 401st Tactical Air Wing, which carries out missions at the other end of the Mediterannean in the Greece-Turkey theatre.

Mr Gonzalez, at the outset of the renewal talks, demanded that the 72 F-16 fighters stationed at Torrejon should leave Spain.

Mr George Shultz, the State Department and two successive US ambassadors in Madrid, Mr Thomas Enders and Mr Reginald Bartholomew, misunderstood Mr Gonzalez's demand and took it to mean an opening bid in the negotiations.

Having read the situation in such manner, Mr Bartholomew a year ago committed the mistake of offering to remove the 401st wing and its F-16s from Torrejon to an under-utilised base in the southern town of Moron, near Seville.

It was, the US ambassador said in an unguarded moment at the time, "the maximum effort my Government is willing to make to accommodate the wishes of a friend and an ally."

Prime Minister Felipe Gonzalez (left) listens to his deputy, Mr Alfonso Guerra

Spanish officials were angered by what they saw as American obtuseness ("We want those fighters out of Spain, not moved somewhere else in the country," said a spokesman) and the ensuing deadlock inexorably led to the November notification.

Mr Gonzalez's determination that the US should withdraw from Torrejon is in part a response to the March 1986 referendum on continued Nato membership. In the plebiscite Spaniards endorsed a policy that kept the nation within the alliance, albeit outside its military command chain, and sought a negotiated reduction of the US military presence in Spain.

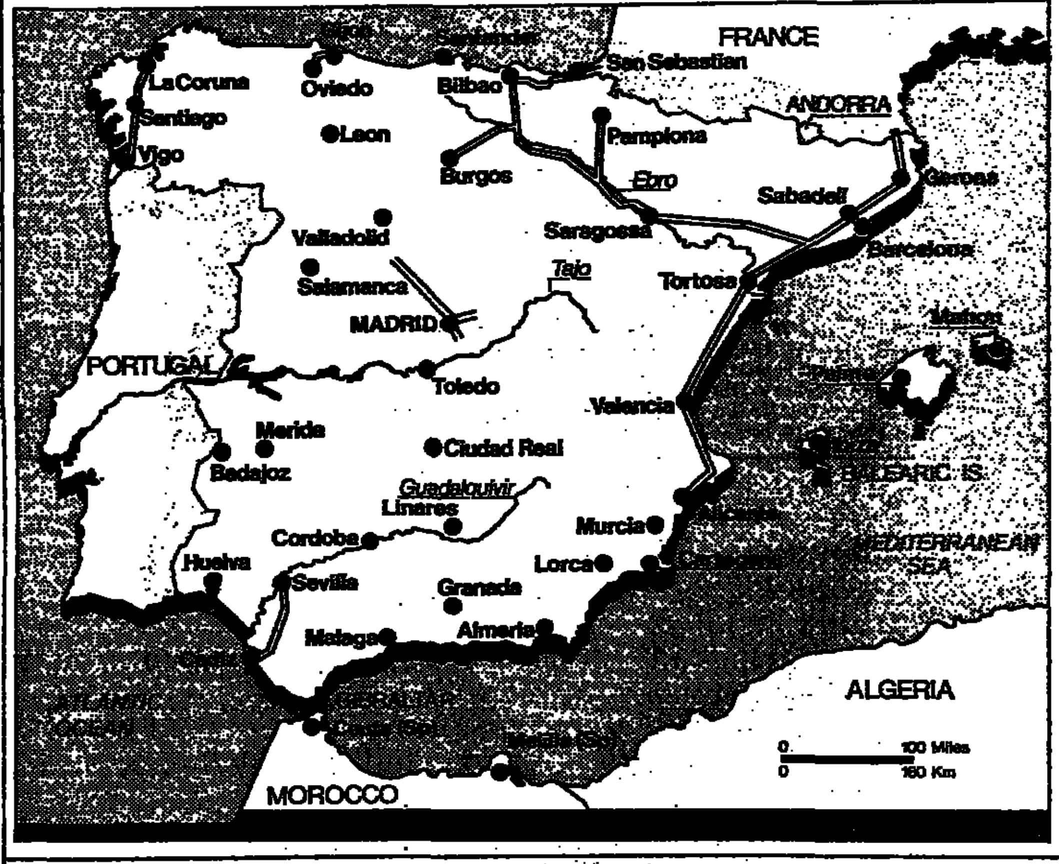
With his referendum result assured, Mr Gonzalez focused specifically on the Torrejon issue and the demand that the US Air Force leave the base. The policy stand reflected a deep-seated desire on the part of the Premier and his administration that the balance of the Spain-US relationship should be altered to one of partnership.

As the deadlock became increasingly apparent last autumn, Mr Gonzalez began to say that what was at stake was not to get the Americans out of Spain, but to get them to stay.

What Madrid was - and is still - offering is a new bilateral agreement which bolsters the existing US facilities at a large naval depot in Rota, at the entrance to the Mediterranean and which allows Spain, thanks to newly acquired F-18 fighters from the US, a more concrete role in the defence of Spain.

Washington's perceptions over this key development in Spain's view of the agreement will presumably become apparent in a new round of talks scheduled for next month. With time running out, the State Department has at least learnt that Madrid's Ministry of Foreign Affairs is utterly serious about the new framework for a relationship that it is seeking with America.

Tom Burns



Gibraltar

A closer relationship seems inevitable

THE FUTURE of the disputed British colony of Gibraltar has clouded relations between Britain and Spain for years. But recent developments, particularly the agreement last November between London and Madrid on joint use of the territory's airstrip, appear – to Spain at least – to have shown a recognition on the British side that a policy of hoping the problem will simply go away is no longer tenable.

Viewed from Madrid, British policy until recently had attempted to put the Gibraltar issue to one side and get on with the rest of Anglo-Spanish relations. For the Spanish, however, Gibraltar has always been, in the words of Prime Minister Gonzalez "the stone in our shoe."

To paraphrase the view of one Spanish Foreign Ministry official: "For the British, Gibraltar is an issue that comes and goes, like for example, whether smoking should be allowed in public places. For the Spanish, Gibraltar poisons our whole relationship, as if you were having an affair with my wife."

The row over the airstrip blew up when Spain blocked the passage of European Community legislation liberalising air routes within the EC because it classified Gibraltar as a regional British airport.

Britain has argued that agreement, which the people of Gibraltar could still reject and thereby exclude the airport from the EC package altogether, does not affect the sovereignty of the Rock itself. This is because the tiny airstrip was built on the isthmus connecting Gibraltar and Spain and therefore lies outside the territory ceded to the British crown under the 1713 Treaty of Utrecht.

But to Madrid, it represents progress. And to the 30,000 people of Gibraltar, who study every move in negotiations with the passionate involvement of viewers of some geopolitical soap opera, that spells danger.

The level of Spanish interest in Gibraltar tends to ebb and flow with the tides of political expediency. Yet the interest remains constant. It is one issue that unites political parties of all creeds and to which the media regularly refers. Superficially, most ordinary Spaniards seem to regard Gibraltar as a something of a non-issue, remote from their everyday concerns. Yet, deeper down, the prospect of a corner of their foreign field being forever England clearly rankles.

And, according to one official close to the biannual talks between Britain and Spain on the future of the Rock, while no Spanish Foreign Minister genuinely expects to be the one to solve the problem, he or she does want to be the one to set some sort of long-term deal in motion.

This in itself may be the key to Spanish attitudes on Gibraltar and an indication of why, despite Britain's continued insistence that it will respect the wishes of Gibraltarians over sovereignty, the airport agreement was of importance to Spain.

Frustration had been building in Madrid at the lack of progress in talks on Gibraltar after the expectations raised by the 1984 Brussels agreement under which Britain agreed to discuss "the issues of sovereignty," as part of a wider accord that led to opening of the land frontier in February 1985.

It was thought that Britain underestimated the depth of feeling in Spain on the issue. Entry into the EC in January 1986 precipitated the frontier opening and also gave Spain a new forum within which to press its concerns. There had been hopes in both London and Madrid that the opening of the frontier would lead gradually to a process of osmosis: as trade and personal links between Gibraltarians and their Spanish neighbours were re-established and developed, prejudices and fears would break down and Gibraltar would come to recognise that its best interests lay in closer association with Spain.

On paper, the equation has a tidy logic and certainly the first half of it is falling into place. Cross-frontier trade has built rapidly. Mr Solomon Seruya, chairman of the Gibraltar Chamber of Commerce, estimates that Gibraltar imported £11.2m worth of Spanish goods in 1986, while Gibraltarians spend about £13m annually in Spain. About 1,000 Spanish workers are regularly employed in the colony and Gibraltar now pays £7m a year in pensions to former Spanish workers employed there before Franco closed the border in 1969. While Spanish construction companies have won £30m worth of contracts in Gibraltar's real estate boom many Gibraltarians have bought property along Spain's neighbouring Costa del Sol and many more rent houses or apartments, in short supply on the constricted colony.

Hundreds of Gibraltarians spend evenings or weekends at Spanish resorts and the colony's own tourist trade has expanded dramatically, from about 600,000 in 1984 to an estimated 3m last year. Though many are low-spending day trippers, tourism now contributes £30m a year to Gibraltar's economy, according to Mr Horace Zammitt, the Tourism Minister.

Perhaps more surprisingly, Gibraltar has emerged as a budding offshore financial centre, offering zero taxation for non-residents, no exchange controls and strict banking secrecy. About 3,800 tax-exempt companies are registered in Gibraltar, and hundreds more are being created each month. Fifteen British and foreign banks, including three Spanish banks, Banco Hispano, Banco Central and Banco de Bilbao, now have branches or representative offices, and others are showing interest. Total bank deposits were estimated at about £500m last year.

The clients are drawn mainly from the 300,000 strong British expatriate community on the Costa del Sol, but the authorities are looking forward to wider international interest. A new financial services Bill before parliament is intended to tighten up on the granting of trading licences and weed out suspect firms.

But while the opening of the frontier has brought new and perhaps unexpected economic advantages on both sides of the border, it has so far shown little sign of completing the hoped-for equation. If anything, Gibraltarians have found a new sense of "national" identity as Britain and Spain have moved closer.

Suspicion of Spanish motives is deeply ingrained in the Gibraltarian psyche and is aggravated by the often obstructive behaviour of Spanish frontier guards, whose enthusiasm for border checks frequently leads to waits of two or three hours at the crossing.

Such seemingly petty actions take on exaggerated importance for the close-knit Rock community and do little to foster an atmosphere of mutual trust and amity. That said, most Gibraltarians probably accept the compelling economic and social logic behind closer relations, however distasteful that may appear today.

Like a reluctant bride facing an arranged marriage, Gibraltar is seeking to put off the dreaded day, little comforted by protestations from father and would-be groom that her interests are closest to their hearts. She may yet avoid the wedding, but a closer relationship appears inevitable.

Charles Hodgson

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Paradox after two years' membership of the European Community

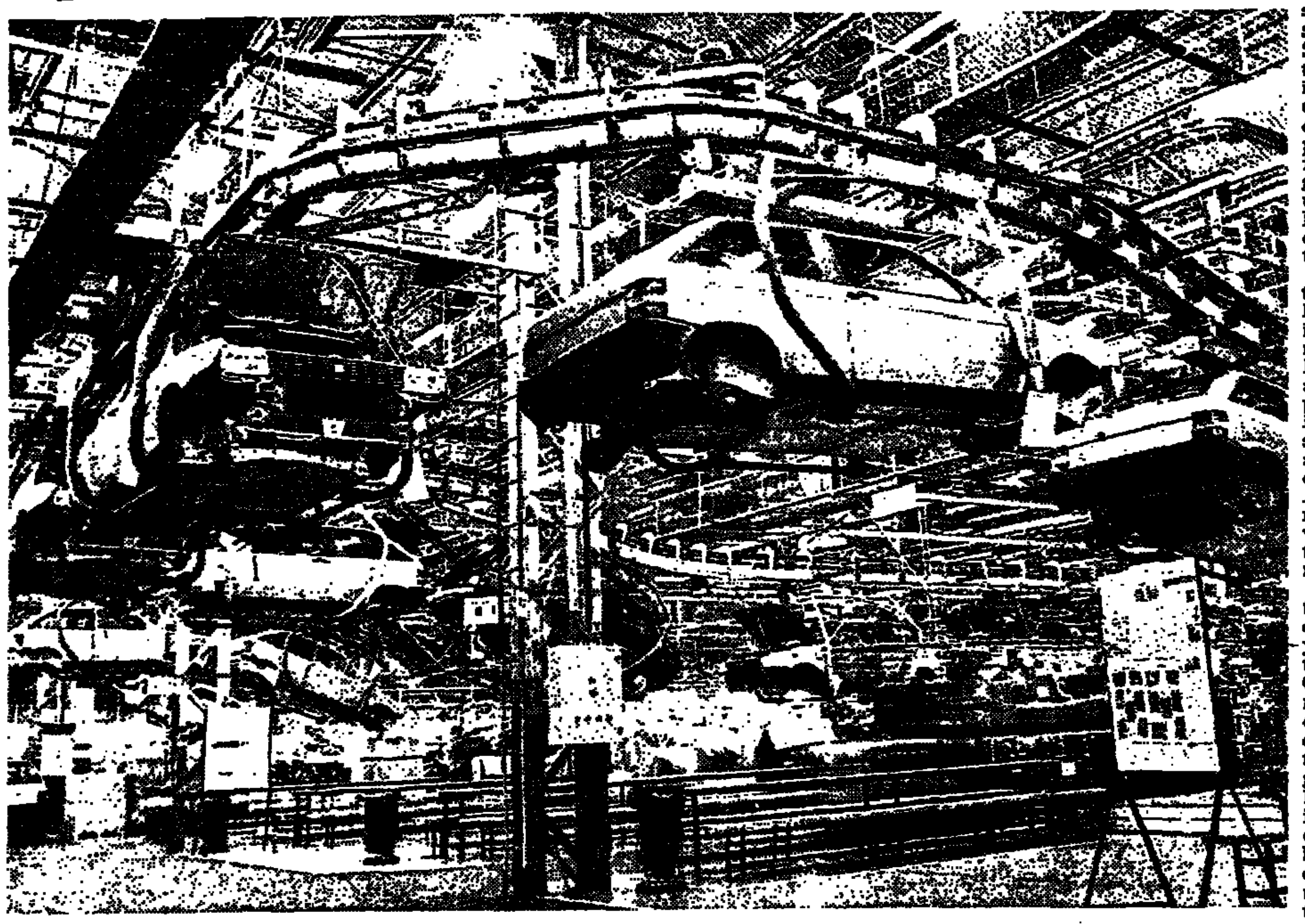
A new phase of restructuring in industry

THE PROPHETS of doom said Spanish industry would founder once inside the European Community. More temperate men said it was adaptable enough, its workforce young and receptive enough, and its wages low enough for it to do well in the EC. Two years after entry, neither view has yet proved to be right.

Since accession, manufacturing industry has been faring better overall than for a long time, but has made little progress in gaining new EC markets.

The apparent paradox is spelt out in a recent policy paper drawn up by the Industry Ministry, with the focus on the end of Spain's transition period in 1992. Competitiveness has been lost since 1986, with a relatively strong peseta offsetting Spain's continuing wage advantage over its main EC partners, and with Spanish manufacturers still handicapped in terms of their technological and marketing capacity. The result has been the emergence of a yawning gap in the country's non-energy trade.

On the other hand, after a crisis between 1974 and 1984 which bit deeper than in the rest of Europe, Spanish industry has been showing strong signs of recovery, in the growth of its output, jobs, investment and profits. Order books in recent months, the report says, have been at their highest level for 13 years. The industrial production index, after rising by more than 3 per cent in 1986, the best result for a decade, accelerated further last year. Total industrial employment has been on the rise for the first time since the end of the Franco era in 1975.



The Seat assembly line at the Zona Franca plant, Barcelona

Investment has surged: 14 per cent in 1986 and, according to initial estimates, a similar rate last year. A survey of Spanish companies cited in the report showed a large measure of optimism about prospects as the EC moves towards a single market. While 20 per cent expected home sales to suffer from price competition by other EC companies and the arrival in Spain of new competitors, 76 per cent expected their exports to the EC to increase, and only 4 per cent expected them to fall. Lower import tariffs are seen working to the advantage of many companies by making inputs cheaper. In the depressed textile sector, more than half the companies saw substantial growth for exports.

The better mood has spread to the construction industry, which has just completed its third year of growth, with an expansion rate estimated at 5 per cent. This puts activity in the sector back to where it was in 1980, still below the 1974 rate, but with good prospects ahead as Spain gears its road-building and infrastructure plans to the Barcelona Olympics and Seville World Fair in four years' time.

In the car industry, controlled by five multinational groups, a 25 per cent increase in sales on the home market during the first 10 months of last year offset a doubling of imports and a decline in exports (especially Renault's). Production was 9 per cent up over the same period of 1986, and output of commercial vehicles was almost 16 per cent higher.

Foreign companies have continued to plough money into Spain. Direct foreign investment reached Pta 656bn ($6bn) by November, a rise of 84 per cent, with 70 per cent of the total coming from the EC. But, in contrast to the pre-entry phase when companies like General Motors set up major new bases in Spain, this has come less in the form of new ventures than in reinvestment by established groups and in takeovers of Spanish companies.

The acquisition fad is bringing about a new phase of restructuring in Spanish industry. Volkswagen's takeover of Seat from the Spanish Government in 1986 has been followed by others including Montedison's Pta 58bn purchase of the leading Spanish pharmaceuticals company Antibioticos and a deal by Electrolux to add to its Zanussi operations in Spain by taking on a Catalan white goods group, Corbero-Domar. The Kuwait Investment Office, through a minority stake, has revitalised the Torras Hostench paper group and made it the key shareholder in the two main Spanish-controlled chemical concerns, ERT and Cros. Plans to merge these two companies' fertiliser interests under a Government-backed plan for the sector have, however, been held up.

The heavy-duty restructuring started by the Socialist Government five years ago, involving the main problem sectors such as steel and shipbuilding, has been largely completed, at a cost of over 80,000 jobs and around Pta 1,000bn. A first Pta 525bn plan for the main steel companies, cutting 10,000 jobs, was followed up last year by a Pta 223bn package also covering special steel and the state-controlled steelmill at Reinosa in the north, where there had been violent labour protests. Up to 5,000 more jobs are expected to be shed under this plan. EC Commission approval was pegged to Spain's cutting an extra 750,000 tonnes off the 18m tonne capacity planned for the end of next year, when Spain is due to stop subsiding its steel industry. This compares with a 21m tonne capacity at the time of entry. A large part of the reduction is due to come from closures of small steel mills, with another large bill for the taxpayer.

Investments in "urgent reindustrialisation zones" designed to absorb the redundant workers have so far produced, or promised, about 19,000 jobs. A bridging arrangement known as "employment promotion funds" was extended at the beginning of this year. Out of 27,500 people involved, 5,000 remain in the system.

The order-starved heavy capital goods industry, in which former Westinghouse, General Electric and Brown Boveri units are now all controlled by an Anglo-Italian management company, Arbobyl, has been impatiently awaiting a Government response to its plea for similar "reconversion" treatment. A plan for shedding 1,600 of the 5,300 jobs through early retirement – compared with the 2,300 which the management said should be cut – has just been approved.

The market for generating equipment remains depressed, but other parts of the capital goods industry have benefited from the investment recovery, even though imports have increasingly tended to dominate the market and the sector's growth has slowed.

Although a large part of the "reconversion" effort has gone into nationalised industry, the state sector remains weighed down by losses. Within the rambling INI state industrial group, the earnings recovery of companies such as the national airline Iberia is offset by deteriorating results elsewhere. In coal for instance, in which Spain's mines have the lowest yield of any still operating in the EC, the state has in the last two years seen losses exceeding its total sales. Labour conflicts have added to its problems in recent months as the company prepared its "plan for the future," aiming to shed 3,000 of the 20,000 jobs by 1991.

A limited privatisation programme – unusual for being initiated by a Socialist Government – has been under way since 1985, with the sale of some INI interests (above all, Seat) and the start of a scheme to bring private shareholders into profitable state-controlled companies. After the first successful test-run with a local power company, Gesa, a plan to float shares in the Ence paper group has been delayed by the upset on the stock markets. Endesa, the main electricity company, and Iberia are expected to follow.

Telefonica, the semi-state telecommunications company, has also sold off some interests, including its share in a joint manufacturing venture with Ericsson. It can be expected at a later stage to give up its 20 per cent holding in Standard Electrica, the former ITT subsidiary now being restructured as part of the Alcatel group controlled by CGE of France. After the failure of Telefonica's negotiations to joint the Alcatel venture, the company is still on the look-out for a major international alliance.

Oil is another sector going through a major structural change. The EC gave Spain six years to phase out its distribution monopoly, run by the Campsa joint venture through a network of service-station concessions. With foreign groups expected to take 20 per cent of the market, the state holding group Instituto Nacional de Hidrocarburos has reorganised its refining, petrochemical, exploration, production and butane gas interests into a new company, Repsol. The group is now busy promoting itself in the image of the multinationals with which it will be competing. Repsol is to be launched as a brand name for petrol, alongside Campsa, in which Repsol has the controlling stake.

The participation of Spain's private-sector refiners in Campsa was meant to guarantee a joint front against the multinationals. A proposed link between one of them, Petromed, and British Petroleum has not been warmly received either by the authorities or by the rest of the industry.

Curiously, the sector that has produced the most dramatic problem in the last year is one that has little to do with competitive forces – electricity. Ten months after shares in the Catalan utility Fecsa were abruptly suspended, the crisis over its $5bn-plus debt, which held up international lending to this fund-hungry industry, has now, in effect, been resolved, with a rescheduling of loans, an injection of fresh funds and government moves to a new pricing structure and new accounting procedures. Foreign bankers say that a more transparent policy for the sector, at an earlier stage, would have made the whole business unnecessary. "It has been a big mess for nothing," one commented.

David White

Quality control

Why the best olive oil goes to Italy

THE TV advertisements showed a ball-point failing to write, and a nut not fitting the bolt. These images were the most telling part of a Government campaign over the last couple of years to increase quality-consciousness among Spanish manufacturers, regarded as crucial to the country's industrial future.

The view is that, especially with competition from Asian countries, Spanish producers cannot hold down their own or foreign markets through price alone, but will have to go for other factors – technology, design and quality – which have tended to be ignored in the past.

Spaniards are often their own biggest detractors when it comes to deficiencies in Spanish products and practices. The reputation for lax standards is often unjustified. Japanese and West German electronics and motor companies declare themselves happy with the level of workmanship and say they can produce in Spain to standards similar to those of their main factories. The US Air Force has maintenance work for European-based Phantom and F-15 fighters done by the Spanish aerospace company CASA. But the association between "Made in Spain" and cheap goods (and, by implication, inferior standards) is hard to shake off.

Companies such as Fagor, the electrical appliances group, have had to make the transition from selling to a captive home market and North Africa to gaining a name in the sophisticated markets of France or Britain.

The lack of a norms structure presented Spain with an urgent task as it prepared to join the EC. It was entering just as the Community was stepping up harmonisation. Some industries such as motors and electrical equipment had systems of norms, but many did not. There was no equivalent to the standards institutions of the major EC partners. In 1985 the Government launched a reform of the norms system, allowing the Industry Ministry to designate the organisations which should handle certification, setting up official norms for public sector purchases, and providing for a national normalisation council, bringing together government departments, regional authorities, universities, employers, trade unions and consumers.

The latter are due to have easier recourse against manufacturers of defective products under new measures now being studied by the Government.

In some instances, quality control has up to now been tighter on exports than on the home market, fish being one example. Export quality controls started with oranges in the 1920s and a body to supervise farm exports has existed since the 1930s.

EC entry has already had its impact, for instance in standards for agricultural products and norms for transporters, which should lessen the frequency of "death driver, 19 hours on duty" stories. Legislation on slaughterhouses was harmonised with EC rules last year. Prior to entry the Spanish authorities had commissioned an EC inspection. The result was that none of the eight centres visited met Community requirements.

There is still no shortage of evidence of lackadaisical standards in many fields. The business visitor to Spain could start with airport information or the level of English translation in most catalogues or promotional material. Even expensive clothing often comes without washing or cleaning instructions. And tourists continue to feed the British Press with stories of "the pain in Spain," anger at "sardine suite" holiday hotels, and "holiday heartbreaks."

Sanitary and safety scandals pop up at regular intervals to support the reputation: a high rate of work accidents, mayonnaise poisoning, which appears to be endemic among wedding guests, four deaths in Barcelona last year in an outbreak of bronchial asthma attacks linked to the handling of soyabean shipments, a cholera incident linked to vegetables, or the failure of a Barcelona hospital to carry out Aids tests on blood for transfusion.

The trial has been going on in Madrid since last March of those accused of making a business out of adulterated rapeseed oil, blamed for at least 584 deaths. And the 1981 cooking oil scandal is the reason why some of the very best Spanish olive oil is shipped to Italy and sold as Italian.

David White

Corporate mergers

'Big is beautiful'

THE LAST weeks of 1987 will be remembered as the time that OPA – the abbreviation for public offer of purchase – became a vogue word in Spain. New coinages were formed from it, and men looking for pick-ups started joking about whether their OPA for the girl on the next table would be "friendly" or "hostile."

Banco de Bilbao's attempt to absorb the larger Banco Espanol de Credito (Banesto), first through a negotiated pact, then through a hostile bid, became the talk of the country – because it rocked the established order of Spanish business and because of the rarity value of a major all-Spanish takeover. Never had there been such a big bid, and rarely a battle between rival bids as this became when a Banesto subsidiary pulled out a surprise counter-offer: the last instance was almost five years ago.

The battle also became highly political. No sooner had Bilbao announced that it was discussing a link-up than Mr Felipe Gonzalez, the Prime Minister, declared himself in favour. Perhaps a little ironically for a Government which seized and broke up the country's largest private holding group, the controversial Rumasa concern, the administration was preaching a "big is beautiful" philosophy. It soon became clear that the lesson was not reserved for banking. The Industry Minister promised active support for "corporate merger processes whose aim is the improvement of competitiveness through the creation of industrial groups capable of competing in an integrated European market."

Opposition to the Bilbao scheme from within the financial establishment culminated when the Madrid Stock Exchange authorities decided on technical grounds not to admit the cash-and-equity bid. The OPA failed ignominiously to take off – but the checks have been pulled away. Mergers, which in banking were long the subject of fanciful speculation, have become a serious proposition.

Banking, with its huge burden of branches and staff, is typical of a Spanish industry able to do well in a protected market but grossly inefficient by international comparison.

The Industry Ministry's stance in favour of more mergers reflects its doubts about the capacity of some Spanish enterprises to survive independently within the current structure. Spanish industry's main handicaps in the single European market, according to the ministry's recent policy paper, are the small size of companies compared to the EC average, and, partly in consequence, their weak propensity to export, their lack of strong footholds in foreign markets and their scant experience of international joint ventures.

The size factor, it argues, affects the efficiency of production and marketing, and prevents companies from being able to break into new markets and invest in technological innovation. Spanish companies are especially small by comparison in the aeronautical, electronics and pharmaceutical sectors.

"This could explain the growing penetration of foreign capital in these sectors ... as a way of ensuring competitiveness in the international market," it says.

Leaving aside Telefonica, the telephone monopoly, with its range of international joint ventures, the multinational Spanish company is a non-existent creature.

This year one in 10 Britons, French or West Germans are likely to spend holidays in Spain. But how many people in those countries could name a single Spanish company, other than the Iberia airline, or Seat, which is German-controlled and until recently never designed its own cars, or perhaps Hispano-Suiza, which long ago stopped making cars at all?

David White

Relations with the European Community

Honeymoon period over, but there is no mood to quit

BY ONE of those quirks of fate handed down by the requirements of real estate in the modern world, the European Community Commission's office on Madrid's smart Serrano shopping thoroughfare is fronted by a loud neon sign reading "Bingo!"

The popular image of the Community as a potential source of financial gain was never as strong in Spain as in neighbouring Portugal, which joined the EC at the same time on January 1 1986. Far more important for Spaniards was the psychological impact of being formally recognised and accepted as democratic partners in the EC.

Nevertheless, the debate over the costs and benefits of entry into the Brussels club has begun to bark at the Socialist Government's heels at the close of the second year of EC membership.

"The honeymoon period has ended," concedes Mr Pedro Solbes, the Secretary of State for European Affairs at the Foreign Ministry. Spanish industry and agriculture are beginning to feel the discomfort caused by the phased disappearance of tariff barriers, the abolition of state aid and tax concessions to exporters, and the introduction of value-added tax and Common Agricultural Policy intervention mechanisms.

In purely budgetary terms, Spain will have done slightly better out of the Community last year than in its first year of membership, Mr Solbes said, showing a net income of about Pta 35bn from the Brussels budget in 1987, compared with Pta 8bn-12bn in 1986.

Of far more concern in Madrid than the budget bottom line, is the crucial question of how effectively Spain will be able to compete commercially with its EC partners.

Last year saw a dramatic worsening of the country's trade balance with the rest of the Community. In the first nine months of 1987, the trade deficit with EC countries stood at Pta 443bn, compared with a deficit of nearly Pta 166bn for the whole of 1986. Imports from EC countries increased by 40.8 per cent in value terms in the first nine months of last year, compared with the corresponding period in 1986, while exports to Community partners increased by only 17.7 per cent during the same period. (Comparative figures for increases in total imports were 25.3 per cent and for total exports 11.7 per cent). The EC now accounts for 54.4 per cent of total Spanish imports and 63.3 per cent of total exports.

Mr Francesc Granell, a professor of international economic organisation at Barcelona University and a specialist on Spain and the EC, calculates that the loss of tax concessions and preferential credit cost Spanish exporters between 7 and 8 per cent of their income in 1986.

The country's trade balance with the rest of the Community has worsened dramatically

Mr Solbes says that it is hard to evaluate whether the surge in imports has been a result of the dismantling of Spain's tariff barriers (tariffs on industrial goods have been cut by 37.5 per cent so far and are due to be phased out totally by the beginning of 1993) or of the high level of both private consumption and capital investment being pursued in the booming Spanish economy.

The Government appears as yet unwilling to take action to damp down imports since the inflow of capital goods is crucial to the country's ability to compete in the future. Mr Solbes remains hopeful that the renewed upward trend in exports to the EC, led by energy and agricultural products, will continue this year after a hiccup in 1986.

Concern at the trade deficit, offset though it is by strong earnings in services, particularly tourism, and healthy reserves is heightened by the approach of the single European internal market in 1992. By then the Community aims to have done away with remaining technical barriers to trade between member states, liberalising trade in financial services and creating a genuine common market.

Unlike EC partners such as West Germany, Spain has no stiff technical barriers: they were simply not required in the pre-EC economy that was protected by high tariff barriers and without a strong import tradition.

"As the barriers come down, we will be in a very vulnerable position because we cannot put them up now," Mr Solbes says. And, as Mr Granell puts it: "If we tried to establish technical barriers now, it would be more difficult for home producers to overcome them than for EC companies exporting here."

Spain is therefore relying on the current overhaul of EC finances, aimed at shifting more of the Community's annual Ecu 40bn budget from agricultural support to structural finance, like the regional development and social funds, to help even out the impact of the single market. This would assist regions with declining or backward industries to rebuild and provide aid for technological development and the promotion of small business, with the emphasis on export.

Spain has found itself pitched into the middle of the shifting alliances within the Community on the budget debate, giving the lie to earlier forecasts that it would play a leading role in the southern group of EC member countries. Like Britain, Spain wants to see more realistic farm price policies that are more responsive to the demands of the marketplace.

But unlike Britain, and in common with other southern countries like Italy and Greece, it wants to see money saved by reducing support for surplus products spent on other areas, not simply saved.

Prime Minister Felipe Gonzalez has articulated a common conviction in Madrid that the Community is showing inadequate "solidarity" between member states, particularly towards newcomers Spain and Portugal.

"Up to now Spain has received nothing from Europe and has supported a part of Europe's growth with the growth of its economy," he said recently. "We must demand an increased European Community budget, because Spain must receive part of these funds." Mr Gonzalez added. "I will totally oppose any measures to advance the internal market which are not directly accompanied by solidarity between Community countries," he warned.

Mr Solbes argues that the tone of such comments does not represent a change in Spanish attitudes towards the EC, but rather a fuller awakening to the risks and challenges of Community membership. Certainly the pressure on the Government from industry and agriculture has increased as this awakening has spread. While there is no sign of an anti-EC lobby, there is a good deal of frustration, particularly among fruit and vegetable farmers, whose products will not get equal treatment with the competition until 1990. Spain's farmers have been quick to ape the celebrated tactics of protest long used by their more experienced Community colleagues.

What is characterised by Mr Solbes as an early naivety in Spain's approach to the EC, when, unaware of procedures, he feels it was made to pay for its newness, has given way to a tougher approach. Spain has been unafraid to block EC plans that it regarded as unacceptable, such as the inclusion of Gibraltar's disputed airstrip in measures to liberalise EC air transport links, or simply wrongheaded, like the 1988 draft Community budget, which Madrid felt did not devote enough cash to structural funds.

The long-running argument over the future direction of EC spending has tended to overshadow other roles that Spain would perhaps have liked to have begun playing within the Community, particularly in promoting relations with Latin America and in securing more aid for the African, Caribbean and Pacific countries linked to the EC under the Lome trade and aid convention.

Nevertheless, Madrid will have an early opportunity to press its concerns both within and beyond the EC when it takes over the rotating presidency of the Community in January 1989. By then, the EC will be well into the run-up to the single internal market and the pressure will be on Spain to continue the momentum, while somehow ensuring that its own competitive future within the Community is safeguarded.

It might be argued that history has shown the true test of successful membership is achieving an acceptable balance of Community and national interests.

Charles Hodgson

Force farming of peppers under polythene near Almeria on the Mediterranean coast

Reversing the urban drift

LATTER-DAY SPANIARDS produce more food and the quality is even better. Now that they are part of the EC system, they would like to do better still, and whether they do or not hinges substantially on whether the Community gets its agricultural act together.

Spaniards eat more fresh fruit than the EC average: 103 kg against 83 kg per person per year in the Community. They have for years been major suppliers of fruit and vegetables to the EC, including out-of-season strawberries and citrus from the kilometres of patches and groves in the sunbaked South that unnerve observers who see such aggressively-competitive, large scale production as a major threat to EC farmers.

A sense of threat led the Community to negotiate extended 10-year transitions for Spanish fruit and vegetables, during which Spanish produce is on a par with the Maghreb.

That is only one of the irritants faced by Spanish farmers as the country moves into its third year of EC membership. Sectors that had begun to modernise, like dairy farms of the North, shifting from the one man and half a dozen cows to bigger and better milk production, face the hurdles of the Community's decision to down-scale dairy production.

Livestock producers face growing imports of EC animals for slaughter, or of carcases. Producers of pulses and oilseeds face falling prices dictated by EC rates.

There is irony in all this: in principle EC membership was an unmatchable opportunity to modernise Spain's agriculture and forestry, growing away from smallfarming waged in something of a vacuum to market-oriented quality output.

Quantity there is already and not a little quality in several sectors: a country that exports 2.25m tonnes of citrus a year and 100,000 tonnes of potatoes, while producing 24.5m hectolitres of wine and nearly 800,000 tonnes of poultry, is patently not sitting on its hands waiting for the grass to grow.

Modernisation, meanwhile, means persuading younger, more methodical people to work the land: it also means persuading them that they can earn a reasonable income as farmers, despite the slings and arrows of the Common Agricultural Policy.

Special programmes have been devised to get young people from farming families back to the land. Moves are being made to encourage co-operativism, instead of the tiny farms run by dogged individuals with little interest in teaming up.

The task is formidable. Spain has about 2.37m farms, of which over 2.3m cover less than two hectares. This is 500,000 fewer than in the mid-1960s and modestly-growing numbers of farms of more than 100 hectares have raised the average farm size a little, from 16 hectares in 1965 to just under 20 hectares today.

More dramatic is the growth of farm equipment. Twenty years ago there were fewer than 2,500 mechanical ploughs in Spain; now there are 271,000. Combined harvesters have multiplied nine times to 45,000, tractors 10 times to 650,000.

Why is Spanish agriculture so important to the EC? ask those who think of Spain in holiday rather than business terms.

The answer is simple: Spain covers just under a third of the EC land mass; provides 45 per cent of the Community's forestry area, 32 per cent of its arable land and yields 32 per cent of its permanent crops. Its problems and successes are now part of the EC fabric, whether French farmers or Dutch dairymen like it or not.

There are 39m Spaniards compared with 55m French and 57m Italians – Spain's closest agricultural rivals as well as fellow Latins.

After France, Spain has the largest farm population, of 1.4m men and 460,000 women. Growth of industry and services has decreased the share of Gross Domestic Product attributable to agriculture - from 20 per cent in 1955 to 17 per cent in 1965, 9.5 per cent in 1975 and 6.5 per cent in 1985. Hundreds of thousands of people have left the land, seeking unskilled or semi-skilled urban industrial jobs.

EC membership brings a chance to reverse the sort of urban drift that creates pockets of poverty, and to rethink agriculture and forestry (reforestation is desperately needed in the South and the Government is spurring farmers to plant trees).

That means better and less-politicised farmer organisation, better information for farmers on EC problems and subsidies, and more encouragement for them to invest methodically in small or medium farms.

It would have been easier 10 years ago when the EC lavished support on farming, whatever the surpluses. But the very size of Spain and the ambition of the Spaniards to grow and prosper should not be underestimated.

Diana Smith

The astonishing resurgence of the Catalan, Basque and Galician languages

The polyglot Olympics of 1992

GENERAL FRANCO, enforcer of the one-nation, one-language principle, would have twitched in his monumental tomb if he knew what was happening in El Ferrol, his birthplace, in the north-west of the country. Chekhov's Three Sisters started playing there recently – not in Spanish, but in Galician, once regarded as little more than a peasant patois and now one of two official languages in the region.

At about the same time, the regional government of the Balearic Islands was threatening to withdraw a grant for a film production because the producers, judging that the original version with dialogue in Mallorquin, the local variant of Catalan, would not be readily understood by mainland audiences, had simultaneously launched a dubbed Spanish version.

In a decade of democracy and home-rule statutes, Spain's lesser-known languages have come a long way. When the Summer Olympics go to Barcelona in 1992, there will be, for the first time, four official languages, not just English, French and Spanish, but Catalan too. The political weight given to the language question is such – and in Barcelona more than anywhere – that it would have been unthinkable to leave Catalan out.

The resurgence of Catalan, Basque and Galician is all the more potent for their having been bottled up during Franco's 36-year dictatorship. In these regions, which were the first to gain autonomy under the new constitution, the alternative language is in day-to-day use in bureaucracy, schools and on TV.

Television is as big a weapon in promoting regional languages today as it was in relegating them during the later Franco years. In the Spanish Basque country, viewers can enjoy not only French TV but one local channel entirely in Basque, possibly the oddest language in Europe and one of the least spoken. The mid-day news bulletin used to be broadcast in Spanish, but recently switched. Instead, the non-Basque-speaking majority has a new, second regional channel mostly in Spanish.

Spain's linguistic plurality has captured less attention than other aspects of the nation's democratic transition. But in the regions affected, which include the country's industrial powerhouses, a lot of energy has gone into promoting the languages and soothing the abrasions and resentments caused. Swiss-style polyglot societies are not created overnight.

Catalan has the strongest position. Extending into France, Andorra (where it is official) and a tiny corner of Sardinia, it is claimed to be spoken by more than 6m people, which is more, for instance, than speak Finnish, Danish or Norwegian. Although it has different dialects, the written language, rooted in a literature going back to the 13th century, has only minor variants. After a vigorous revival in the 19th century it continued to be taught clandestinely despite Franco's ban (even on its use on gravestones).

The big leap came in 1978 when Catalan was made compulsory at all levels of pre-university education in Catalonia. Nowadays, advertisements urge people to use it in markets or on school playgrounds. The Catalan-language daily Avui, with a circulation of 40,000, was joined last March by a second region-wide newspaper, Diari de Barcelona. On the air shuttle between Madrid and Barcelona announcements are made in both languages, and the instructions on the credit-card ticketing machines come in Catalan first, then Spanish and English. The thousands of Catalan books in print include a sports dictionary with 10,000 entries.

Tourists in the region risk being flummoxed by Catalan-only descriptions in museums, or Catalan-only menus. Although the language has affinities with both Spanish and French, its food vocabulary happens to be particularly opaque: *truita*, for instance, is not a trout but an omelette.

Recovery of linguistic identities has meant regenerating and updating languages which, with the exception of Catalan, have little written tradition. In Galicia, there is a debate about whether Galician, a cousin of Portuguese with Spanish syntax, should draw on Portuguese or Spanish for its new words. The lack of uniformity in Basque affects even the name of the language itself: Euskera or Euskara. In the linguistically mixed Valencia region, "secessionists" want to separate the local language from Catalan, but the local language itself has different versions, with different word-endings.

The revival has also created friction with those whose only language is Spanish. In Catalonia, a group of 43 schoolteachers revolted two years ago when the regional government wanted teachers on provisional contracts to sit an exam in Catalan language and culture. The dispute was resolved by a court sentence giving those without a diploma in Catalan four years to prove themselves capable of teaching in the language at junior levels.

Catalan has always been solidly implanted among the urban bourgeoisie as well as in rural areas. But the industrial belt around Barcelona is made up largely of immigrants from other regions, who have only recently started learning Catalan. According to the Catalan authorities, however, there is now only one municipality where less than 50 per cent understand Catalan. In the whole urban region about 59 per cent can speak it, a similar proportion can read it, and 88 per cent understand it. On the other hand, only 26 per cent, many of whom are schoolchildren, can write it. As with Basque and Galician, the regional TV station has problems finding script adapters.

Basque is more problematical. A much less accessible language, predating the arrival of Latin on the peninsula and like Hungarian and Finnish not belonging to the Indo-European group, it went through a long decline. Unlike Catalan, it was regarded by the 19th century bourgeoisie as rustic. With immigration, Basque speakers became a minority, and the trend has only just begun to be reversed. One in three in the region is reckoned to speak Basque, but the proportion using it as a main language is smaller, and hardly anybody uses *only* Basque.

In schools, children with Basque as their first language are now taught in Basque with Spanish as a separate subject, and *vice versa* for children whose first language is Spanish, but there is a problem finding enough native Basque teachers.

"If this was a totally bilingual society we would not need two television channels," Mr Yosu Utuondo, director of the regional EITB TV authority, points out.

Rivalry has been created by the existence of three school systems. Alongside the state schools, which now come under the Basque Government, are the private schools and the *ikastolas*, private institutions which have agreements with the regional authorities and enjoy political prestige for their uncompromising "Basqueness."

In the case of Galicia, less motivated by political autonomy, linguistic revival has been slow, and there is the same mixed population problem as the Basque country and Catalonia. Schoolchildren have to learn Galician but teachers choose which language to teach in. Widely spoken by the elderly, Galician enjoys its own Royal Galician Academy and has become *de rigeur* in election campaigns. But the best-known Galician politician, Mr Manuel Fraga, sticks to Spanish. The region's most distinguished contemporary figure, the novelist Camilo Jose Cela, who writes in Spanish, admits to speaking Galician with his servants.

In the Valencia region, the language question is more complicated. First there is the battle between "Valencianistas" and "Catalanistas," with one faction, from the south, seeking different spellings from traditional Catalan and the other, from the left and teachers, seeking linguistic uniformity. Then there is the problem that only part of the region is Catalan/Valencian-speaking. Moreover, this coastal zone has had a big influx of outsiders.

Friction within regions over the language issue is matched by sour feelings on the part of other Spaniards. A company in Spanish-speaking Murcia, south of Valencia, which received a business letter from Barcelona written in Catalan, insisted on replying in a phoenetic transliteration of the local dialect.

Castilian revanchists have found a champion in Mr Gregorio Salvador, a member of the Real Academia, who in a recent book railed against "fictitious" languages, denounced abuses in the way Catalan, Basque and Galician were being promoted; and objected to the characterisation of Spanish as "a fascist and repressive language."

In Olot, a town in the north of Catalonia run by the powerful Catalan nationalist party, Convergencia i Unio, the sole councillor for the conservative Allianza Popular, objecting to the way the Spanish language was discriminated against, stood up and addressed the council in English.

David White

A shepherd, guarding his flock

The Basque problem

Carrot and stick fail to quell separatists

THE PREVIOUS 12 months have witnessed remarkable successes in the long struggle to curtail the separatist gunmen of ETA. But a lasting pacification of the Basque region still appears to be elusive.

There was justifiable satisfaction in Government circles when ETA's alleged chief of operations was arrested in South-West France at the end of last September. But the extent of the Basque problem was illustrated barely two months later when the region's Roman Catholic bishops issued a document that, as far as the Madrid Government was concerned, equated the urban guerrilla tactics of the separatists with institutional violence.

The pattern throughout the last 12 months was one of considerable police triumphs in rounding up ETA members but of scant political successes in the task of isolating and outlawing the gunmen within Basque society.

Euzkadi ta Askatasuna (Basque Homeland and Liberty) seemingly remained entrenched among a sector of Basques, never short of recruits, despite the horrifying scale of its violence. In June a bomb in a Barcelona supermarket killed 21 shoppers and a December car bomb against a civil guard barracks in Saragossa, left 11 dead, including five little girls, amid the rubble.

In part, the Government was responsible for the duality of police success and political failure since for much of last year it was pursuing a paradoxical policy of stepping up its anti-terrorist resources and, at the same time, of conducting discreet talks with ETA representatives in Algeria.

The policy is a carrot and stick approach towards the separatists: the Government is prepared to discuss individual pardons with those who forswear violence and will crack down hard on those who do not.

Sound though the policy might appear in theory, it was fraught with practical difficulties. A major one was the death in a road accident in Algeria early last year of Mr Domingo Iturbe, an ETA leader who had sought an honourable solution to the violence and who had a charismatic hold over the separatist movement.

The contacts, which were admitted publicly by the Prime Minister at the end of the summer, served only to bolster ETA. The organisation saw itself in a sense legitimised and was able to make considerable propaganda mileage.

On the heels of the official recognition that such contacts existed, ETA issued a paper that rejected the emissaries the Government had sent on the grounds they were mere policemen, gave details of the conversations that had been held and linked future talks on a ceasefire to substantive negotiations on the right of self-determination and on the absorption of the province of Navarre, with its mixed Basque-Navarrese population, by the Basque region.

ETA's defiant paper indicated that the hardliners opposed to any negotiation held sway among the separatists. Within days of its publication French police arrested Mr Santiago Arrospide, a man long suspected of being the organisation's military commander. It was a rich haul, for the detainee had in his possession a trunk-load of documents that amounted to a detailed breakdown of ETA's operations.

In a chain reaction more than 100 ETA suspects were arrested in Spain and South-West France, arms caches were discovered and planned terrorist attacks were averted. "We have entered the enemy's staff headquarters and pinched the battle plans," said one Madrid official at the time.

Spanish officials were particularly exultant about the manifest willingness of France to co-operate in "terrorising the terrorists." Spanish police were present at Mr Arrospide's initial interrogations and they had full access to all the documentation. By the end of last year, ETA suspects had been summarily handed over at the frontier to the Spanish courts.

Mr Arrospide's capture was the high note of the year but there were others. The Barcelona supermarket bombers were arrested and so were the members of the so-called Madrid Commando that in 1986 played havoc in the capital. Dozens of murder suspects were detained in the Basque country itself, prompting claims that the separatists had no in-place gunmen left in their home region, and on December 22 Mr Ignacio Pujana, the alleged chief of operations, was captured on the outskirts of Angouleme.

By the Madrid Interior Ministry's reckoning ETA had been reduced to between 300-400 activists, of whom only some 5 per cent could properly be classified as gunmen. Close to 500 ETA members are in Spanish jails awaiting trial or serving mostly very long sentences.

Mr Pujana is said to be responsible for ordering December's attack on Saragossa's barracks. That had been a clear bid to emphasise that ETA was still in business despite the crackdown which followed Mr Arrospide's detention.

In all likelihood, Mr Pujana's successor has already been found, and the new chief of operations comes from a similar background to that of his predecessor.

Aged 26, Mr Pujana is a good 10 years younger than Mr Arrospide and thus representative of a new generation of separatist leaders. Born in Ochandiano, a small, Basque speaking village, Mr Pujana's membership of ETA was a natural consequence of his environment. Three Ochandianos, among them Mr Pujana's older brother, are serving prison sentences in connection with ETA and a girl born in the village, also an ETA member, was killed in a shoot-out with the civil guard last July.

Within their own community, including part of the Basque clergy, Mr Pujana and his fellow ETA members are very far from being considered terrorists. The ideal of self-determination and separateness from Spain is echoed by a sizeable proportion of Basque society and the practice of violence to achieve such ends is condoned by a significant minority.

The ambivalence towards ETA among the Basques themselves was reflected earlier this month in the inability of the region's political parties to agree on a document condemning the organisation. In the absence of such a consensus pacification appears a distant prospect.

Tom Burns

Youth

The jobs are elusive

SIBYLLA IS one of Spain's most original fashion designers. Barely 24 years old, she has just signed a multi-million dollar contract with a leading Italian *ready-to-wear manufacturer*.

This Polish-Argentine-American who considers herself Spanish is one of the more fortunate young people in a nation where youth represents 49 per cent of the labour force.

She is making money doing what she loves to do.

For the rest of Spain's huge young generation, fruit of a 1960-77 baby boom, professional success is unlikely to come so fast. For 1.5m youngsters not just success but a job – any job, anywhere – is frustratingly, humiliatingly elusive.

The baby boom and democratisation of education after 1977 brought fierce pressure to bear on Spain's educational system. Economic expansion created strong job expectations for school leavers and career-minded graduates. Many expectations have been thwarted.

Pressure on new jobs and higher education will not ease until 1993 when the effects of a dramatic drop in the birth rate after 1977 make themselves felt in reduced numbers of youngsters finishing compulsory education at 16 and flowing towards higher education or the job market.

Until then, Spain must expand job creation, vocational training, educational reforms, youth counselling services, youth-oriented culture – like the dazzling array of sponsored events and competitions for young composers of pop or serious music, authors, poets and playwrights, cinematographers, painters, sculptors and photographers run by the National Youth Institute – and incentives to young people to work the land.

Because Spain is a country where half the population is very young, the Government of young or youngish people, as well as young businessmen, young union officials, young educators and young reformers keenly perceive the problems of their contemporaries.

Concerted efforts now boosted by economic recovery and *support from the European* Social Fund (FSE) which fosters job creation and vocational training, have begun to make dents in the mass of young employment.

This year the authorities are spending over $500m on job creation: of this nearly $300m comes from the FSE and 82 per cent is destined for the young. Thanks to dramatic economic growth in the last two years, nearly 700,000 jobs have been added to the market, increasing the number of people employed to 11.33m against 10.7m in 1985.

Nearly $400m is being spent on vocational training – 80 per cent for young people. This year, 400,000 people are receiving vocational training compared with 60,000 two years ago.

Half the population is very young, and young reformers keenly perceive problems of their contemporaries

The youth department of the UGT, the trade union confederation, believes the Felipe Gonzalez Government now has a more dynamic capacity for vocational training programmes and job creation.

Combating the drop-out/drug dependent blight in urban dormitories where unskilled parents and offspring are often unemployed, the UGT has its own youth job counselling service, advising young people on what type of job to seek and how to apply effectively (appearance, written applications and so on), or how to join vocational training programmes.

These programmes are the core of the campaign to reduce youth unemployment, dedicated to giving young people, often the offspring of unskilled migrant labourers, better equipment with which to make their way in the world.

A specialised vocational effort is the two-year-old *escuela taller* (school-workshop) programme that now has over 120 projects and occupies 8,000 young people, as well as adult craftsmen and architects, municipalities and the autonomous communities.

The programme is imaginative, reconciling the need to give the young usable skills with the urgent need to restore, maintain and protect Spain's architectural heritage, its nature reserves, parks and gardens.

Mr Alvaro Espina, the Secretary-General of Employment and Vocational Training, is an impassioned fan of *escuelas taller* that revive vanishing skills like fine stonework and wood carving, stained and leaded glass making, and thus resuscitate crumbling churches, castles, libraries and improve natural resources.

Escuelas taller often lead to lasting craft jobs for young people, or to their forming co-operatives specialising in upkeep of fine buildings, or parks and gardens. There are more conventional vocational programmes seeking to train and then place youngsters in industry through special job contracts where employers are relieved of social security contributions if they train and hire the young. About 200,000 young people are now on these programmes.

On the educational side, the drive is on to reform structures and importantly, in the view of Mr Joaquin Arango, Under-Secretary of State for Education, to involve the business community actively in higher education.

This means not just encouraging research and development contracts between business and industry, or encouraging businessmen to hire university-trained researchers, but bringing businessmen onto university boards of regents.

It is no easy task to accommodate 800,000 students with *strong ideas about the direction* they want to take and who find it hard to accept that the stream of their choice may be too crowded to absorb them.

Nor is it easy to pacify young people who pass their common entrance exams and then find they cannot get a place in university. This year, thousands of Spanish youths took to the streets to air their educational frustrations.

Democracy after 1977 brought the inherent right to education: the race is on to produce the infrastructures to cater to this right. The present Government, seeking to combine quality with quantity, to increase vocational guidance in universities and to modernise not only installations but also the attitudes of the teaching profession, is spending more and more of the Gross Domestic Product on education.

The proportion rose from 2.7 per cent of GDP in 1982 to 3.2 per cent in 1987 – still far behind the EC average of 5.5 per cent of GDP.

All this is done not as "Papa State", bossily pushing citizens along rigid lines from cradle to grave – but as a high-spending gadfly state – granting this and coming generations the wherewithal to develop and exercise individual talents and to build a vivacious, competitive Spain.

Diana Smith

A look at the fashion scene - and its problems

The haute couturiers of Iberia

MANUEL PINA is a man from La Mancha. Unlike Don Quixote, immortal denizen of that stern Spanish region, Mr Pina tilts not at windmills, but at international fashion giants.

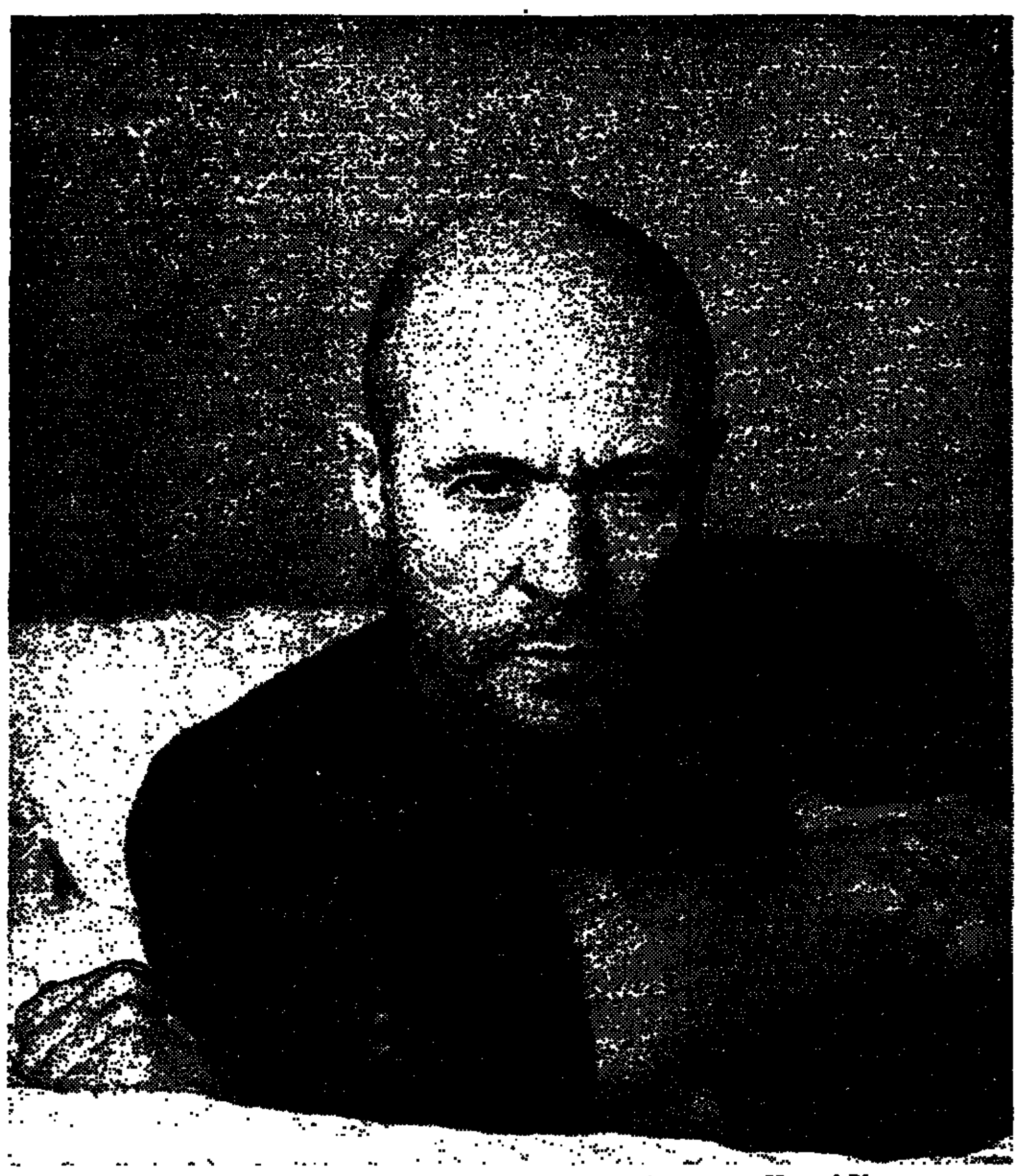
Sturdy and somewhat farouche with his shaven pate and intense dark eyes, Mr Pina is in the vanguard of Spanish fashion. He, like others of a bold new generation, vies with European stars of high fashion and *pret a porter* (ready-to-wear), driving an innovative Spanish look onto a world scene occupied by the giants of France and Italy who enjoy stronger industrial and financial backing for their creativity.

Mr Pina, maker of stark, black, strongly-Spanish creations for slender executive women, is only one of the leading Spanish designers. Others who are making a name and sales abroad as well at home include:

- *Antonio Alvarado, the* imaginative loner of the emergent Spanish fashion world, who dresses people from the arts in vivid designs;
- Adolfo Dominguez, one of the few designers with a family-run business producing sleek men and women's wear in his native Galicia, who has established a strong image in Europe, now spreading to Japan;
- Sibylla, only 24, whose name is spreading through Europe and the US;
- Jorge Gonsalves, couturier to Queen Sofia, the most prominent ambassadress for Spanish contemporary fashion;
- Purificacion Garcia, Galicia-born and like Barcelona's Roser Marce, a strong woman designer in a land with more and more professional women;
- Vittorio y Lucchino, an Andalucian who felt an Italian pseudonym could give a headstart in a country which once thought Italian fashion the *sine qua non*;
- Toni Miro, dubbed the fashion king of Barcelona;
- *Roberto Verninno, a* Galician designer-industrialist;
- Trafico de Modas, where every sibling has a part in the business.

They share a passionate sense of Spanishness, which they imprint on their work. They are the self-assertive product of a new democracy with a new sense of their and Spain's worth, out to make it in a brutally-competitive world. Articulate and self-punishingly hardworking, these young designers have expensive prices and standards. They will not skimp on the rich fabrics they prefer or high-quality finishing.

"Quality" is a word constantly heard in today's Spain. It reflects a conscious ambition to create a Spanish image of the best that can be done with the best materials available.



One of Spain's leading designers of haute couture and ready-to-wear, Manuel Pina

To get the Spanish image across, whether of couture or ready-to-wear, energies have been mobilised all over Spain. In Madrid, the Ministry of Industry, nearing completion of a five-year Pta 88bn overhaul of the textile industry, has in Pilar Martin, responsible for small and medium companies, an avid supporter of Spanish fashion.

Mrs Martin and her colleagues have a "give them the tools, then encourage them to get on with it," approach to the industry.

That means a radical new entrepreneurial style for the garment industry. It is often easier to replace an obsolete machine than persuade an industrialist to join forces with a strong-willed original creator.

The Ministry promotes designers abroad with help at fashion trade shows and backs major department store promotions at Harrods in London or Bloomingdales in New York.

But scores of energetic people are determined to bring about the change – the only way Spanish fashion can sustain growth abroad and deal with growing competition at home from EC design.

In Madrid, now vying with Barcelona as a fashion centre, the Cibeles spring and autumn fashion weeks lure industrialists and foreign buyers to a glittering showcase for young designers.

Municipalities have begun to back such efforts. Barcelona has a headstart in men's wear and fashion jewellery – now strong export items. Children's wear in Valencia is not a whit less dynamic.

Jewellery designers have joined the army of Spanish creators who are finding their way into European and US boutiques: innovators like the Madrid-based Chus Bernes, who was an industrial designer, branched out into quirky fashion jewellery made from industrial artefacts and now works with precious metals to produce shapes as dramatic as the simple, luxurious clothes they adorn.

Many designers are frustrated that Spanish manufacturers are afraid to branch out from churning out cheap copies or classic standards. And it may be hard to find a Spanish bank director who is prepared to finance an autumn or spring *pret a porter* collection.

Frustration, or the search for creative quality of fabric or finishing, has driven some designers, like Antonio Alvarado and Sibylla to Italy for a manufacturer. Problems in raising company loans to finance collections compel designers to take expensive short-term personal loans. Many young designers speak with envy of Italy where manufacturers, distributors and bankers creatively coexist with *designers giving Italian pret a porter* a competitive edge the Spaniards would dearly love to emulate.

Matters are improving. The Catalan manufacturer of fashion fabrics, Niki Bosch, exports all over Europe and is sympathetic to designers' needs. Slowly, banks are awakening to the potential of high fashion.

Meanwhile, the family has a vital role for Spanish designers, who draw on spouses, parents or siblings for support systems, management, sales and cushioning from excessive financial shocks. When you buy an Adolfo Dominguez jacket, you are buying the combined energies of the large Dominguez clan that has brought new industrial life to Galicia.

Diana Smith

Madrid

A city's soul

IN SPAIN epoch-making events and trends that elsewhere take generations to sink in are telescoped into the blink of an eye. More than any other place on the peninsula, that has been true of Madrid.

On the national level, within a decade, the nation has seen democracy supplanting dictatorship and regional home rule superimposed on a strict centralist administration. The military has pulled out of politics, the church has parted ways with the state and a gerontocracy has been replaced by men and women barely in their 40s. Enthusiastic Europeanism has levelled a Pyrennean mountain range where Africa was once supposed to start.

Madrid has changed even faster. It was the bolt hole of a boring bureaucracy. Then it was, suddenly, a reincarnation of London's Swinging Sixties. Now it is a property man's dream.

Within a decade *Madrileños* have shifted from showing off their influential friends to snarling pot and, finally, to moaning about mortgages.

Only a short while ago Madrid was jealous of Barcelona and its real or imagined flash. Then it felt itself superior to its rival and was patronising. Now the Catalan capital does not rate and is mentioned only in relation to the Summer Olympics that it will stage in 1992.

As swingers edged out bureaucrats and were in turn pushed aside by estate agents Madrid found its "soul" or, at least, started worrying about its environment and caring about its ambience. Buildings that should long ago have been protected at last were, and half-forgotten fiestas and customs were resurrected.

Every other week another elegant building in the upmarket Salamanca quarter gets degutted to accommodate offices but every chintzy facade of the building is studiously preserved. The process gathers pace just like the Madrid Carnival yearly gains new recruits to the game of looking what you are not but would like to be.

What is most curious about the prestige-conscious investment in the east side Salamanca area is that it has in no way braked the boom of North Madrid. There, where there was nothing worth preserving, the skyline is already Manhattanesque but it will be unrecognisable by 1990. The Torre de Europa, some 20 of its eventual 46 storeys already built, is appropriately named for it will be the tallest office block on the Continent.

As for living, London may have its Docklands and New York its lofts but Madrid's upwardly mobile movers are journeying back several centuries to occupy the inner city that the Hapsburg dynasty built. There the property men extract fortunes for apartments (original roof beams allegedly intact) that overlook alleyways where the nobles whom Velazquez painted fought duels and met their mistresses.

On the basis that square metres in Madrid have doubled in value over the past 18 months and that there is no sign of prices levelling off, the Spanish capital ranks among the fastest moving in the world.

Meanwhile the Porsche-brigade that in London seeks rural comfort along the M-4 motorway is mirrored in Madrid by those who buy up properties, once family summer homes, for weekends in the Guadarrama Sierra. They instal central heating and hope for snow. Others opt for *Costa Marinas* and for detached villas built around golf courses. Iberia puts on extra flights to Malaga on Friday and Sunday evenings.

What has happened is that Madrid has grown in influence and stature now it is the arbiter of a quasi-federal nation. Democracy, trickling down the system, has meant more jobs for the office seekers. Euro-opportunities, moreover, have, as is natural, reached the capital first. There is none of the former guilt that centralism engendered and there is a wholly new optimism about Madrid's nascent market-maker role.

Nobody mentions the *movida*, that effervescent swinging interlude between the static past and the present self-confident mobility.

What remains of the arts explosion of 1980 are the Purificacion Garcia designer clothes for Calle de Serrano rangers and the Miquel Barcelo canvases bought before he had his extraordinary retrospective in the Retiro Park two years ago when he was 28 years old.

After that event Barcelo stopped table-hopping among the summer terrazzas of the Castellana Boulevard and concentrated on Greenwich Village. The all-night drinks, May to September, on Castellana have become less self-conscious but there are more Porsches triple-parked beneath the acacia trees.

Tom Burns

Whom you know carries an awful lot of weight in Spain

Mr Gonzalez and the old boy network

PRESIDENT REAGAN prefers the company of actors and Californian businessmen and Mrs Margaret Thatcher likes self-made Conservative achievers but Mr Felipe Gonzalez is more complex: he opts for the clan of Sevillano Socialists he met at university and the no-less clannish members of Madrid's self-proclaimed intellectual aristocracy.

Whom you know carries an awful lot of weight in Spain. The country's political movers and shakers are those who knew the Prime Minister in Seville and those who, having been at school together, became his friends when he moved to Madrid midway through the 1970s.

They are two clearly defined and intricate networks and they both depend on each other. The Sevillano clan taught the Madrileños the common touch and the sophisticated city dwellers showed the southerners how to walk with kings.

One clan learnt about life and politics in the Seville bookshop that Mr Alfonso Guerra, the Deputy Prime Minister, owned (where he sold Henry Miller and Marx under the counter) and in the labour law office established by Mr Gonzalez (where an all-important primitive photocopier produced clandestine pamphlets). The other learnt such things naturally, as of birthright, in a Madrid private school called Estudio that imparted a progressive, lay education to the sons and daughters of well-heeled liberals.

Mr Luis Yanez, the current Secretary of State for International Co-operation, was recruited into the Socialist Youth when he was a medical student at Seville University by Mr Guerra. "Who are the other members?" he asked. "Me and Felipe," replied Mr Guerra, a precocious campus radical who at the time sported a very shaggy beard and shoulder-length hair.

Others who expanded that tiny southern group of 1960s activists were Mr Yanez's brother, Juan Antonio, currently Mr Gonzalez's chief foreign policy advisor, Mr Manuel Chaves, the Labour Minister, who was a member of the premier's agit-prop law firm and Mr Guillermo Galeote, a Guerra-type non-conformist whose nickname "Willy" belies the iron authority he exerts over the Socialist Party rank and file.

When Mr Gonzalez arrived in Madrid in 1974, aged 32 and secretary-general of the banned Socialist Party (Franco still had a year to live) he brought his brash and loyal Sevillano clan with him. "Felipe," a prominent member of the Madrid network said, "has an 'African' sense of friendship: those he loves he loves for ever and those he dislikes will never get to know him."

But the future Premier knew he needed a second clan, born and bred in the capital, that would provide polish and the right introductions.

A decade later, already Prime Minister, Mr Gonzalez was to pay tribute to his Madrid connections. The occasion was the start of the centenary celebrations in honour of Jose Ortega y Gasset, the philosopher. Mr Gonzalez spent his morning at an exhibition on Ortega's life and times which was inaugurated by King Juan Carlos and in the evening he delivered a lecture to open the Ortega y Gasset research centre.

The previous day Mr Gonzalez's landslide first election victory, six months earlier, had been resoundingly endorsed by regional polls. One would have expected him to spend his time savouring his political triumph and, in any case, would President Reagan or Mrs Thatcher devote a day's schedule to the centenary of, say, a John Dewey or a Wittgenstein?

Mr Gonzalez, aside from any intellectual pretensions, honoured Ortega y Gasset because it was his way of acknowledging the Madrid network and specifically the Estudio school clan whose former pupils exercise a dominant presence both in the newly created research centre and in the Socialist administration.

Throughout that day he was flanked by Ms Soledad Ortega, the philosopher's daughter and the matriarch of Madrid's intelligentsia, by Mr Jose Maria Maravall, the Education Minister and by Mr Javier Solana, who holds the Culture portfolio. Both ministers are card-carrying members of the Madrid clan (Mr Maravall was at Estudio and though Mr Solana was not, most of his friends were) and they look upon Ms Ortega as a surrogate mother.

"Who was at Estudio?" Mr Gonzalez, who was educated by Claretian fathers in a Seville suburb, might ask of Mr Victor Perez Pita, currently Secretary-General of Energy. Mr Perez Pita might begin by saying that his wife, who happens to be Ms Ortega's daughter and is the Dean of Madrid's autonomous University, was there and so was his brother, Stanislaus Perez Pita, who is the chief architect of the 1992 Seville World Exhibition and is married to a niece of the poet Federico Garcia Lorca and so was his sister Leonor who is married to Mr Luis Solana, Telefonica chairman and brother of the Culture Minister.

Other Estudio alumni, apart from the Education Minister and his brother, Mr Fernando Maravall, the Director-General for Energy and Mr Victor Perez Pita's immediate boss, include Messrs Santiago and Ignacio Varela, nephews of Ms Ortega and key members of the Premier's private office.

Run by a son of Ms Ortega who was also at Estudio the Ortega y Gasset research centre that Mr Gonzalez opened is a stone's throw from the old school building (Estudio has become so successful that it now occupies huge buildings out of town). In addition to organising seminars and awarding doctorates, the centre is a short cut to top executive posts in the administration and a home for retiring officials seeking a quieter life.

When Mr Gonzalez gave his inaugural lecture (naturally an appreciation of Ortega y Gasset), the guest list for the occasion was a good mix of enlightened socialist personalities, aristocrats and bankers, university professors and luminaries of Madrid's arts and culture round. It was the Madrid network out in force. And there were also representatives of the incoming Sevillano clan.

Tom Burns

The state's monopoly is expected to end this year, but there will still be obstacles to overcome

The brave new world of private TV

ONE OF the sourest aftertastes of the Franco era, the state monopoly of television broadcasting, will in theory be finally excised this year with the expected passage of legislation establishing private commercial television.

The state television network Radiotelevision Espanola, which runs two main commercial television channels, and the three regional television channels in Catalonia, the Basque country and Galicia, will face competition from up to three new private channels broadcasting nationwide.

Founded in 1956, RTVE rapidly became the chief propaganda tool of the Franco regime, feeding the people a lustreless diet of paternalistic pap, heavily laced with religion and folklore and with any trace of internal or external criticism of the state expunged.

Key appointments to RTVE were made by the regime, with political "orthodoxy" being a more important criterion for recruitment than professional ability. Even after the restoration of democracy, while newspapers and radio were enjoying new freedom, television remained firmly under Government control.

In a country of television addicts (only the British in the European Community watch more hours per week), and where about 70 per cent of the population is said to form its political views exclusively from TV, the temptation to retain a guiding hand proved too powerful for successive governments to resist.

But now the second Socialist administration of Prime Minister Felipe Gonzalez, acting on a long-standing election promise, is shepherding through parliament a Bill introducing private commercial television. *The Government* is committed to see this legislation come into force during the life of the current parliament, due to run to 1990.

Pressure to break the state television monopoly has built up steadily since the death of Franco in 1975. It has been led largely by owners of newspapers and radio stations. Their campaign gradually aroused public support and ensured that private television became a key election issue.

The director-general of RTVE is still appointed by the Government and other major posts have gone to people whose political views at least broadly coincide with those of the government of the day.

The director-general is answerable to a joint parliamentary committee on which government and opposition parties are represented.

One of the main reasons that Mr Gonzalez finally decided to break the state monopoly of television, besides a wider philosophical belief that it would *be in the interest of the country's* broader democratic development, is thought to be his desire to end the constant badgering by the opposition about Government manipulation.

It also makes sound political sense for the Government to lay down the guidelines for private television and to ensure that concessions go to broadly friendly hands well before the next election. The draft Bill, drawn up after examining the experience of private television elsewhere, including France, Britain and West Germany, will allow up to three new private commercial channels. Concessions, which will run for 10 years and are renewable, will be granted by the Government.

A National Institute for private *television* is to be established to oversee the operation of the new channels, with an eight-member governing council nominated by the Government.

The new channels will have an element of public service programming, must broadcast *nationwide and also transmit* limited coverage programmes to local or regional areas.

No individual shareholder or group will be permitted to own more than 25 per cent of the capital of a concession company (this is aimed at preventing existing newspaper groups from building up too large a concentration of the country's media), and foreign participation is also limited to 25 per cent.

Initial reaction to the draft legislation was far from enthusiastic. "The law allows the Government to play dirty tricks and it probably will," says one former television executive.

But Mr Santiago Varela, the government spokesman on private television, strongly counters this: "Compared with France, West Germany or Britain, we think it (the draft law) is more liberal and more open." Mr Varela insists that the National Institute will be neutral and answerable only to parliament. "There is no possibility for the Government to interfere in the concessions or in the normal running of the stations."

Three main contenders for concessions have emerged, headed by three leading publishing groups, around which other interested parties have gathered:

- CIT led by Prisa, the publisher of the successful left-of-centre daily El Pais and owner of 50 per cent of the SER radio station;
- Univision, headed by Grupo Zeta, another leading left-inclined publishing house which produces news and leisure magazines;
- Tele 7, founded by Prensa Espanola, publisher of ABC, a right-wing daily newspaper.

All three main groups have *had talks at some stage* with potential foreign investors. Mr Robert Maxwell, chairman of Maxwell Communications Corporation, has links with Prisa. Mr Silvio Berlusconi, the Italian businessman, was at one stage closely linked with Univision, but passions on both sides are said to have cooled following criticism of his private French TV venture, La Cinq.

The Spanish Venezuelan businessman, Mr Gustavo Cisneros, the former owner of the *Galerias Preciados departments store* chain and owner of a private television station in Venezuela, also had links with Univision, but his commitment has become clouded following the sale of his flagship Galerias to the Mountleigh Group of the UK.

Mr Berlusconi's main Italian competitor, Milan-based private company EUR TV, is understood to have reached an agreement in principle on co-operation with Tele 7.

All three groups are thought to have strong chances of obtaining a licence. However, even if legislation is passed as expected in the spring, there is considerable uncertainty over when the new channels will be in a position to start broadcasting.

There are enormous technical problems to be overcome before *the* private channels can get onto the air. The country's transmission network, run by RTVE, will need to be substantially overhauled and upgraded to cope with increased demand for transmitters and landlines.

The first task of the new National Institute will be to come up with a national plan for upgrading the network. A report by RTVE last May estimated the total investment required in upgrading the network at Pta 6.5bn (about £600m). Initial work on the system sufficient to enable the new channels to reach half the country's viewers could take up to two years.

Some professionals are openly sceptical about the prospects for success of the new *channels*. As Mr Enrique Canals, director-general of the successful regional Catalonian television company TV3 put it: "During the last 10 years, those groups that have pushed hardest for private TV have been newspaper groups, but the Ital*ian experience shows that just* because you run a good newspaper does not mean you will run a good television station."

TV3 has a reputation for strong news coverage and produces about 25 per cent of its news in-house. Mr Canals sees news as the only type of programme which allows a channel to attract and keep a regular audience. "News will be very expensive for private companies to produce and it does not attract advertising," he says.

Leading RTVE officials seemed reluctant to give their views on the likely impact of private television but Mr Canals, whose station recovers 66 per cent of its costs from advertising and programme sales, with the balance coming from the regional government, does not appear to feel any immediate threat.

The anticipated growth in television advertising (some analysts estimate it will double and perhaps triple as private television develops) should, he feels, leave enough revenues for all.

Even once the commercial and technical obstacles are overcome and private television becomes a reality, there is scepticism among some observers as to whether it will spell an end to political manipulation.

Much of the pessimism stems from a gloomy view of the very nature of Spanish journalism, particularly in television news. Critics say that the role played by TV in keeping Franco in power and the manner in which the medium was manipulated and made to feel part of the political system, generated a deeply rooted pro-establishment stance that persists.

The system of self-censorship developed in the Franco era under which journalists and programme planners decided what was "safe" for the public to know is similarly ingrained, they argue. This has been reinforced by a continuing sense of uncertainty about the strength of Spain's young democracy, and has made broadcast debate about such issues as the role of the military in the modern state and Basque terrorism practically taboo.

Changing these attitudes will require more than simply legislation, say the sceptics.

Charles Hodgson

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday January 18 1988

INTERNATIONAL BONDS

Market for Japanese equity warrants reopens strongly

CONTINUING NERVOUSNESS on world stock markets has not stood in the way of a successful reopening of the new issues market for Japanese equity warrant Eurobonds, six of which have now appeared in a space of slightly more than a week.

Last year's prolific new issuance in this sector, which did much to propel the Japanese securities houses up the Eurobond bookrunning league tables, had ground to an abrupt halt in the aftermath of the stock market crash.

But a combination of the wave of buying of seasoned warrants by Tokyo investors at the close of last year and some careful pricing of the bonds has made for smooth placement of this year's offerings.

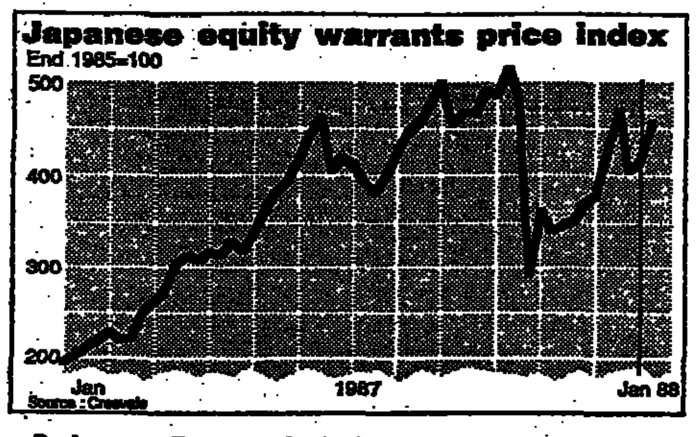
Indeed, the initial trading performance of the bonds is in sharp contrast to the shaky behaviour of equity warrants bonds during some periods last year, when the Japanese stock market was stronger but an oversupply of issues, on terms that were too aggressive, sent the warrants market reeling.

Star performers so far have been Daiwa Europe's two $100m deals for Sanken Electric and Hokkai Can, quoted respectively on Friday at 108 and 109 bid only compared with par issue prices. But bonds for even the less favoured names, such as Taiyo Kagaku, a chemicals and foods producer, and Nichiei, a lumber dealer, were trading at levels close to their issue prices.

Sceptics point out that the Japanese houses could hardly have afforded to let these inaugural issues of the year fail, since equity warrant bonds are bread-and-butter business to them. Yet the houses themselves vigorously deny they have had to carry out support operations.

In the background is a steady climb in prices of seasoned warrants — which are normally detached from their host bonds after launch and traded separately.

Prices rose strongly towards the end of last year as Tokyo-based investors lapped up cheap warrants, while European and UK funds stood askance. They have moved back in strength since the beginning of this year – only to find little spare paper around.



Dealers say European funds are now keen buyers of the warrants, as fear of the downside risk in the Tokyo stock market, which has been relatively resilient since the worldwide October crash, has lessened. This has been helped by the Japanese Ministry of Finance's recent moves to support the market by easing accounting rules for the *Tokkin* funds through which many large investors have placed their spare liquidity in the market.

In the primary market, new warrants have been carefully priced so as to look like good buys compared with the secondary market levels.

The par-priced five-year package of one bond and one warrant gives – assuming a 5 per cent coupon – a value of about 81 for the bond. This leaves about 18 or 19 per cent for the warrant, which usually gives a right to buy the underlying shares at an exercise premium of 2½ per cent over the share price at the time of fixing.

As one syndicate manager pointed out, since the floor for warrant prices is thought to be about 15, the investor has a limited downside risk whatever the share price does.

However, it seems certain that pressure will grow on syndicate managers to cut coupons on future deals, given the success of the bonds launched so far. It will be hard for the houses to resist such pressure if bonds continue to trade as high as nine points above their issue prices.

Five per cent coupons – about 1¾ per cent higher than those on issues launched just before the stock market crash – mean the borrowers have to pay just under 2 per cent, after the proceeds have been swapped into yen. At one stage last year, they could achieve negative interest rates.

In the past, vast numbers of borrowers issued these bonds simply to invest the proceeds in Japanese securities. Current interest rates mean such companies are staying away from the market and the bonds issued reflect real borrowing needs – or so the syndicate managers say.

Unless coupons fall substantially, this means that not all of the issues that were cancelled at the time of the stock market crash are likely to resurface. A syndicate manager at one of the securities houses said he was expecting each of the four houses to lead only about three or four more issues before the end of the month.

Despite the rich profits to be made on these deals, syndicate managers are probably glad to keep the pace of new issue activity on an orderly basis. They have not forgotten the debacle in the middle of last year, when Nomura International felt bound to take the unprecedented step of calling a moratorium on the new issues market after new bonds started trading at discounts as low as less 4, as coupons were pared to around 1 per cent.

Eurobond dealers spent most of last week holding their breath ahead of the US November trade deficit figure, seen as crucial for the dollar and the bond markets. When this turned out on Friday afternoon to be well below market expectations, at $13.2bn, dealing levels were limited by reluctance to take up positions ahead of the weekend and a partial US public holiday today.

However, when the US currency rallied just after the announcement, Eurodollar bond prices put on more than 1 percentage point at the longer end. Seven-year bonds achieved gains of about ¾ points, while five-year issues rose by ⅝ points.

This helped push the quote on a bond for Eksportfinans, which had had an indifferent launch earlier in the week, up to less 1.20 bid, within its 1⅝ per cent fees.

The D-Mark sector also saw only moderate turnover in the wake of the figures. Buying during official stock exchange hours, in anticipation of poor figures and a drop in the dollar, took prices as much as 40 basis points higher.

In the afternoon, prices first eased sharply but then took heart from the better US Treasury bond market, to close about 30 basis points down.

Clare Pearson

UK group planning flotation on USM

By Peter Montagnon, World Trade Editor

LONDON Forfaiting, the fast growing trade finance company, is planning a share flotation on the Unlisted Securities Market next month in what is expected to be the first issue of any size since last October's crash.

Mr Jack Wilson, chief executive of the company which is 85 per cent-owned by British & Commonwealth Holdings, said the aim was to introduce about £40m of new capital to finance further expansion. As a result B & C's stake will be reduced to about 40 per cent.

A final decision on the issue will depend on market conditions at the time, he said, but because it will include the sale of existing preference shares converted into ordinary capital, it will be larger than £40m, making it a very large deal by traditional USM standards.

The company specialises in the so-called *a forfait* market. This provides medium term export finance through promissory notes which are discounted and sold into a secondary market where they are bought by investors such as banks and corporate treasurers.

The recent decision by the Organisation for Economic Co-operation and Development to raise minimum interest rates on official export credits by 0.6 per cent has added to the appeal of the forfaiting market which can now provide cheaper finance than export credit agencies to countries with good quality credit ratings, Mr Wilson said.

London Forfaiting was founded four years ago and has £70m ($126m) of capital and a balance sheet of some £370m. First-half profits in 1987 amounted to £7.9m against £13.4m for the whole of 1986. Unaudited results for the second half were even better, he added.

Forfaiting has an uncertain reputation in the export market because it deals in second line credit risks.

EUROCREDITS

Relationship factor becomes crucial to profitability of deals

EVERYBODY EXPECTS 1988 to be a busy year for the Eurocredit market and corporate credits to provide a significant proportion of the business. The debate is over whether it will be profitable for many participants.

If there is a trend towards wider margins and fatter fees, it is certainly difficult to detect among the few deals which have been mandated so far. If anything, the signs are that competition for mandates on price is intensifying. Though some recent deals have had a sticky time before being completed, they have got done. There are a lot of banks out there which want to step up.

The relationship factor will be crucial in determining whether many new deals – particularly multiple-option facilities of the type that have been particularly fashionable for UK and French companies – earn a worthwhile return for banks. Obviously, every bank counts the bottom line as the most important thing and therefore would wish in theory to turn down unprofitable business.

But in practice, there are many shades of grey and many instances in which a bank would argue that it is absolutely justified in going into a deal for reasons of its relationship with the borrower.

One idea at least seems to have been effectively debunked: that by going into a credit, a bank can establish *de novo* a relationship with a company which will lead, in and of itself, to other kinds of business that are more profitable. This may occasionally happen but it would be difficult to argue that simple participation in a credit was the only factor.

However, the situation for banks which already have a relationship with a borrower and could jeopardise it by staying out of a deal is much hazier. What is expected of banks will vary greatly from borrower to borrower and each bank will always have to weigh the importance of its existing connection with each borrower as well as credit quality, the size of commitment, and terms of the deal.

Even banks which take a relatively hard line on the issue, saying that they regularly turn down deals of which the terms are not sufficiently attractive, also admit to leading and participating in what are clearly relationship deals. So it is difficult to draw the line. Probably, no-one will bother to do so definitively unless a relationship deal comes well and truly unstuck.

That seems a fate unlikely to befall the $500m multi-option facility mandated by Elders IXL to Chase Investment Bank. Yet bankers felt its terms to be aggressive. Its launch was confused by the emergence of a $150m bankers acceptance facility – of which $100m is to be committed – being arranged by Mellon Securities for Elders Finance and Investment with the guarantee of Elders Finance Group, though not of the parent. The two-year deal has a facility fee of 12.5 basis points and a maximum acceptance commission of 35 basis points.

CIR International, borrowing with the guarantee of Compagnie Industriali Riunite, the industrial holding company for the De Benedetti group, has mandated Merrill Lynch for a $200m five-year revolving credit with a 6.25 basis point commitment fee and a margin over Libor of 12.5 basis points, rising to 15 after three years. Bankers said the terms were aggressive and did not reflect a tightening of the market for Italian borrowers but Merrill said it was going well.

Elsewhere, it remained a question of waiting for mandates. **Scandinavian Airline Systems** is expected shortly to pick the lucky bidder for a $300m seven-year revolving credit. **Credit Foncier** and **Thailand** are also awaited. And the market is salivating at the thought that BAT Industries might choose to finance its $4.2bn bid for Farmers Group of the US with a big borrowing.

Halifax Building Society is to have a $500m certificate of deposit programme arranged by Credit Suisse First Boston with First Chicago and S G Warburg as the additional dealers.

Barclays Bank is to guarantee notes issued in a Eurocommercial paper programme of undisclosed size for **Skidmore, Owings and Merrill**, the Chicago-based architectural and engineering firm. Barclays de Zoete Wedd is sole dealer.

Alexander Nicoll

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	4.2	0.0	197.0	8,432.3
Prev	401.8	0.0	0.0	4,451.2
Other	310.8	0.4	423.4	943.6
Prev	275.4	0.1	77.9	893.5
Secondary Market				
US$	15,213.1	1,008.5	9,274.1	11,945.7
Prev	2,136.8	758.8	1,594.3	3,579.2
Other	18,404.0	639.5	2,109.2	12,288.4
Prev	3,457.2	312.5	769.0	4,429.2
	Cedel	Euroclear	Total	
US$	17,048.1	29,028.8	46,076.9	
Prev	6,084.3	8,435.8	14,520.1	
Other	16,996.6	21,112.7	38,109.3	
Prev	4,716.3	5,508.5	10,224.8	

Week to January 14, 1988 Source: AIBD

Reshuffle of top jobs by Finsider

By John Wyles in Rome

FINSIDER, the holding company for the Italian state-owned steel industry, has announced a wholesale reshuffle of the top management of most of its main operating groups.

Although no senior manager is leaving the industry and most are hopping from one group to another, Finsider is presenting the changes as a necessary adjunct to its long awaited recovery plan.

With last year's losses expected to have reached L1,600bn ($1.3bn), Finsider's new strategy is expected to be delivered to the board of Iri, which oversees the greater part of Italy's state-owned industry, at the end of next week.

The most significant change to be made is at the top of Italsider, the largest operating company and loss-maker, where the current president and managing director, Mr Michele Civallero and Mr Sergio Noce, will make way for a single executive president, Mr Giorgio Benevento.

Mr Benevento is currently Finsider's director general and has played a key role in formulating the new recovery plan, which will involve 25,000 job losses, plant closures and sales to the private sector.

Mr Civallero will take over as president at *Dalmine*, which manufacturers tubes and pipes, where the managing director will be Mr Ulrich Duden, a former Montedison manager.

The new managing directors at Deltasider (special steels) and Terni (flat stainless) will be Mr Ottavio Lecis and Mr Attilio Angelini.

RCS stake for Edipresse

EDIPRESSE, THE Lausanne publishing company, has acquired a 5 per cent stake in Rizzoli Coriere della Sera (RCS) writes *David Lane in Milan*. Details of the price paid by the family-owned Swiss group for its shareholding in the Milanese group have not been revealed.

Edipresse, which publishes the daily 24 Heures and also owns periodicals, local radio and pay-TV, already has ties with RCS. In 1984 the two companies established a joint venture in the US.

ERPM in R91.5m rights issue to fund expansion

BY JIM JONES IN JOHANNESBURG

EAST RAND Proprietary Mines (ERPM), one of South Africa's oldest gold mines, has announced details of a R91.5m ($46.2m) rights issue to finance completion of its current expansion programme. Shareholders are to be offered 50 new shares at R16.50 each for every 100 shares they hold.

The directors say the money will be used to complete the Far East Vertical (FEV) shaft system. *It is being developed* to open virgin ground in the southern part of the mine property and is expected to extend the mine's life into the next century.

The rights issue is the third capital raising exercise designed to finance the FEV project which has been plagued by official overestimates of the mine's profit generating capacity.

In 1980, ERPM raised R60m from its shareholders to help finance what was then expected to be a R300m five-year expansion project. That was halted after cash resources had been depleted by dividend payments and a falling gold price had cut profits below expectations.

The expansion project resumed in 1985, when shareholders contributed a further R47m by way of a rights issue and the company itself obtained state guaranteed loans totalling R200m which were believed to be sufficient to complete the FEV project.

ERPM reached the limit of its borrowing capacity last year but the directors now say the present rights issue will allow the FEV project to be completed. *This will result in a doubling* of the mine's gold production, will permit borrowings to be reduced and dividend payments to be resumed in three years.

The mine produced 2,237 kg of gold in the final quarter of 1987 after loss-making operations had been curtailed in low grade working areas. Nevertheless the mine suffered a R17.6m pre-tax loss in the December quarter against a loss of R17.9m in the September quarter.

US fertiliser group plans European float

By Clare Pearson

IMC Fertilizers Group of the US is to sell shares in Europe in one of the first international equity offerings since last October's stock market crash. The company, a producer and retailer of fertilisers, is a subsidiary of International Minerals and Chemicals.

Merrill Lynch International is lead-managing the European tranche of the initial public offering. This will total 2m shares while a further 8m are being sold in the US.

The shares are indicated at between *$17 and $20 each*, though pricing will not take place until January 25.

Second New Zealand stockbroker suspended

BY DAI HAYWARD IN WELLINGTON

A SECOND New Zealand stockbroker has been suspended after telling the stock exchange it was in difficulties and unable to meet its obligations. The firm, Dunderdale Sewell and Green, based in the provincial town of Masterton, was established in 1965 and has some 2,000 regular clients.

Mr Bill Sewell, a director, said the company's problems were caused by a backlog of transactions from the bull market earlier last year. This was aggravated by slow payments by some clients and the fall-off in market activity.

Meanwhile the receiver for Buttle and Co, one of New Zealand's oldest broking firms, which went into receivership at Christmas, has revealed the company has debts of NZ$3.8m (US$2.5m). Its directors are seeking an injection of capital from outside and have already injected some of their own.

Buttle's problems were caused largely by an inadequate system for dealing with *the huge volume of transactions* it handled in the middle of last year.

A third firm, Paine Belcher, which was also suspended on Christmas Eve, has resumed activities on the Auckland stock exchange. This follows recapitalisation and a substantial injection of cash.

Ciba Geigy sees downturn

BY JOHN WICKS IN ZURICH

CIBA GEIGY, the Swiss chemicals group, has recorded a slight decline in sales for 1987 and expects that group profits will also be "somewhat below" those for the previous year.

Turnover dropped by 1 per cent last year to SFr15.67bn ($11.36bn). Although the Basle-based parent company reports generally good business *conditions, sales in Swiss franc* terms were adversely affected by the continued fall in the dollar. In terms of local currencies, even after exclusion of sales in high inflation countries, turnover was up 9 per cent on 1986 levels.

At the same time, Ciba Geigy draws attention to "persistent problems" facing agriculture in various markets. The group's agricultural division showed an 8 per cent decline in sales for the year to some SFr3.47bn.

Pharmaceutical sales declined *by 2 per cent to SFr4.73bn* and those of dyestuffs and chemicals at the same rate to SFr2.32bn despite local currency increases of 7 and 9 per cent.

In other divisions, turnover at Ilford, the photographic products subsidiary, was down 4 per cent to SFr470m, while sales of electronic equipment and the Ciba Vision division jumped by 28 and 16 per cent respectively.

Although definitive earnings figures will not be announced *for another month, the company* says that currency influences seem likely to keep group profits slightly below the 1986 figure.

Turner breaks off talks with NBC

By Anatole Kaletsky in New York

TURNER BROADCASTING System, the highly leveraged Atlanta television production company, has broken off the talks with NBC, the broadcasting subsidiary of General Electric, which might have led to a badly needed cash injection for Turner.

The end of the talks, which had been going on since the end of October, was announced at the Turner quarterly board meeting late on Friday, after Mr Ted Turner, the company's *flamboyant* founder and majority shareholder, is said to have told Turner directors that further negotiations were fruitless at present because the two sides were too far apart on the price at which NBC might make an investment in the company.

The breakdown of talks with NBC leaves Mr Turner with a pressing need for cash to meet a repayment deadline this summer on part of the $1.4bn in debt which he raised two years ago to buy MGM/UA Entertainment.

A complex series of penalty provisions in his loan agreements means that Mr Turner must lose a large proportion of his equity interest in Turner if he fails to meet debt servicing deadlines.

Last spring, Mr Turner narrowly avoided ceding control of his company to his debtors by selling a 37 per cent equity stake in TBS for $500m to a consortium of cable operators led by Time, the publishing and electronic media group.

However, as a result of that deal, Mr Turner now faces further financial deadlines in order to avert the appointment by the cable operators of a majority of directors on the TBS *board*.

NBC was believed to have been prepared to buy a large minority stake in TBS and leave Mr Turner with management control, but was willing *to offer only* around $12 a share for TBS shares, compared with Mr Turner's demand for about $20.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield
US DOLLARS							
Joshin Denki‡♦	100	1993	5	5	100	Nomura Int.	5.000
Hokkai Can♦‡	80	1993	5	5	100	Daiwa Europe	5.000
Sanken Electric♦	100	1993	5	(5)	100	Daiwa Europe	*
Norsk Hydro♦	250	1990	2½	8¼	101	SBCI	8.251
Eksportfinans♦	150	1990	2.43	8½	100¼	CSFB	8.173
Nichiei Co.♦	100	1993	5	(5)	100	Yamaichi Int.(Eur)	*
Hanwa Co.♦	150	1993	5	(5)	100	New Japan Secs.	*
Taiyo Kagaku Co.♦	50	1993	5	(5¼)	100	Nomura Int.	*
AUSTRALIAN DOLLARS							
BNP♦	50	1991	3	13¼	101½	CSFB	12.619
Eurofima♦	75	1995	7	13	101¼	J.P. Morgan Secs.	12.720
NEW ZEALAND DOLLARS							
Societe Generale♦	50	1991	3	16	101½	Hambros Bank	15.339
D-MARKS							
EIB♦	300	1998	10	6¼	100	Deutsche Bank	6.125
Forsmarks Kraftgrupp♦	200	1993	5	5⅛	100¼	J.P. Morgan	5.067
SWISS FRANCS							
Bk. For.Econ.Affairs USSR♦	100	1998	-	5	101	SKA	4.871
ICI Finance Neth.♦	250	1999	-	4½	99¾	SBC	4.529
Thomson-Brandt Int.♦♦♦	200	1993	-	4¼	100	UBS	4.250
Austria♦	100	1998	-	4½	101	Credit Suisse	4.499
Austria♦	150	2003	-	5	100	Credit Suisse	5.000
Belgium♦♦♦	100	1992	-	4⅛	100½	Credit Suisse	4.013
Aoki Corp.♦	150	1996	-	4⅞	100½	Swiss Volksbank	4.798
Council of Europe♦	250	1998	-	4¾	100	Banca del Gottardo	4.750
Japan Highway♦	200	1998	-	4⅜	99½	Bqe. Paribas (Suisse)	4.438
CNT♦♦♦	200	1995	-	4½	101	UBS	4.331
Com.Sevillana Elec.♦♦♦	60	1993	-	4⅞	100½	UBS	4.768
IMI Bank Int.♦♦♦	100	1992	-	4¼	100¼	SBC	4.182
ENEL♦♦♦	100	1994	-	4⅜	100¼	Bqe Gutzwiller,K.B.	4.327
Province of Manitoba♦♦♦	100	1992	-	4¼	100¼	UBS	4.194
Watanabe Gumi♦♦♦	12	1993	-	5	100	Handelsbank N'West	5.000
Okajima Co.♦♦♦	12	1993	-	5⅛	100¼	LTCB of Japan	5.067
EIB♦	150	1998	-	4½	100	Bqe Gutzwiller,K.B.	4.500
STERLING							
HMC Mortgage Notes 2‡♦	150	2015	6	(a)	100	CSFB	
DANISH KRONER							
Skand.Enskilda Banken♦	300	1993	5	10¾	100⅝	Privatbanken	10.583
GUILDERS							
ABN♦♦♦	150	1992	4	5½	100	ABN	5.500
LUXEMBOURG FRANCS							
Copenhagen Telephone♦♦♦	300	1993	5	7⅜	100	Kredietbank Int.	7.375
Bombardier Inc.♦♦♦	300	1993	5	7½	100	BGL	7.500
Amro Bank♦♦♦	300	1993	5	7¼	100	BGL	7.250
EIB♦	1bn	1996	8	7	100¼	BGL	6.958
YEN							
Ireland♦	30bn	1993	5¼	5⅛	101⅛	Nomura Int.	4.817

*Not yet priced. **Private placement. ♦With equity warrants. ‡Floating rate note. ♦Final terms. (a)Spread: years 1-10 35bp over 3m Libor, thereafter 50bp. Expected average life about 6 years. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Big Japanese buyer prompts late spurt

THE GILT-edged market ended the week with a spurt on Thursday and Friday, after a truly lacklustre performance during the lead-up to the medium-term gilt auction and immediately after it.

The search for first causes is often a fruitless task, but the appearance of a large Japanese buyer of auction stock on Thursday and a growing appreciation of how strong the government's fiscal position will be at Budget time, are certainly two very good starting points.

It does not say a lot for the UK government securities market that a week of "when issued" trading in the auction stock failed to find a level at which significant institutional support for it could be found. This is doubly so at a time when many in the market believe that UK institutional cash reserves are at a high level and that a greater percentage of them will be devoted to gilts than in previous years.

With inflation, on a retail prices index basis, moderating and the government's determination to maintain the pound's stability against the D-Mark having the appearance of being set in concrete, the foreigner was prepared to tread where domestic faint hearts were not.

On Friday the realisation began to dawn that the technical outlook for the gilt market in fiscal 1988-89 is likely to be propitious indeed. As Mr John Shepperd, of Warburg Securities, noted some weeks ago, the market has traditionally talked around New Year of a forthcoming shortage of gilt issues – and has often been wrong. Except this year, he said.

By the end of last week, however, his forecast of £3.5bn net gilt sales to give £10.5bn of gross issues was looking decidedly pessimistic.

Mr Kevin Boakes, of Greenwell Montagu and Mr Gavyn Davies, of Goldman Sachs both issued circulars which suggested that the Bank of England would have to issue only about £5bn of gilts – that being the residual amount to cover redemptions after a public sector borrowing requirement outturn of a surplus of around £2bn.

All the forecasters believe that the Bank will not have to engage in a wholesale effort to cap an appreciating pound, as it has to do this financial year, so there will be no need to "sterilise" the effects of intervention through gilt sales.

Even on Warburg's "pessimistic" forecast, the Bank will have to issue only £875m of gilts a month to fund the market fully, but on the Greenwell and Goldman forecasts monthly issues fall dramatically to £417m. On the best guess, the Bank will have to issue about £1.3bn a month this financial year to have done its job.

On purely supply-side arguments, therefore, these analysts say the market at present levels is looking attractive, especially in the 10-year area where yields are around 10 per cent.

If, on March 15, the Chancellor is in the giving vein, we should all be that much richer, for it seems that most of his "fiscal measures" will be directed at reducing income tax. Many believe he will also distribute some of his windfall gains to the National Health Service to help appease the health lobby.

Given the outlook for the economy and leaving to one side the issue of NHS funding, are personal tax cuts the best way for the Chancellor to distribute his largesse? Mr Glenn Davies, of CL-Alexanders Laing and Cruickshank, believes not.

Somewhat against the prevailing view, he argues for tighter fiscal policy this year and a more accomodative monetary policy. On carving up the cake, he believes the Chancellor should give about £2bn. to industry in the form of lower National Insurance contributions and reduce the standard rate of tax by 1p.

The risk with this policy is that industry may fritter away lower NI contributions by acceding to higher wage claims – the rate of increase of which has just risen to 8¼ per cent a year, well ahead of RPI inflation.

The upside, however, is that industry would have more cash to invest and that would go a long way towards righting some of the supply-side constraints in the economy. Giving it away to the consumer would serve only to exacerbate an already deteriorating balance of payments position.

The alternative – fiscal slackness and monetary tightening – would have little effect on the consumer. He does not appear to be interest rate sensitive, so higher rates are unlikely to have the effect of lowering consumer-related imports, while they could restrain industry from neccessary investment.

Simon Holberton

Finnish options exchanges to merge

By Olli Virtanen in Helsinki

FINLAND'S TWO fledgling options exchanges are to merge. According to the settlement, reached after long negotiations over shareholdings, all parties will now join Optiomeklarit, the options exchange initiated by Union Bank of Finland (UBF), Skopbank, Kuningas, the Finnish brokerage firm, and OM, Sweden's main options exchange.

Kansallis-Osake-Pankki (KOP), which had led moves to set up HOFE, the rival exchange, will have a shareholding equal to those of UBF, Skopbank and Kuningas (12.63 per cent each). OM of Sweden will have 10.84 per cent with the rest divided between 26 banks, brokerage houses and other institutions.

HOFE, the rival exchange, will now cease to exist while the options clearing house also set up by the KOP group will be merged with Optiomeklarit.

The dispute began last autumn when the UBF group announced that it would establish an options exchange. The move antagonised KOP and some two dozen other banks and brokerages, which had planned an options market together with the "defectors" under the auspices of the Helsinki Stock Exchange. Within a week the KOP group came out with a plan of its own.

Since then the two camps, aware that the Finnish market could hardly sustain two rival options exchanges, have been trying to reach a compromise.

The dispute was finally solved when Tapiola, the insurance company, decided to pull out, allowing its shares to be divided between Postipankki and Okobank, which now have 6.12 per cent apiece.

Optiomeklarit plans to commence operations in mid-April.

AIBD prices

We regret that for technical reasons, the FT/AIBD International Bond Service was not available in time for inclusion in this morning's edition of the Financial Times.

US MONEY AND CREDIT

Bulls take command in all three markets

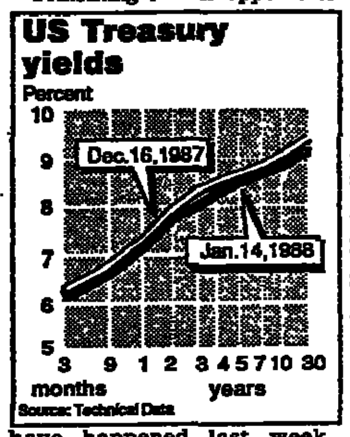
SUDDENLY, EVERYTHING seemed to have fallen into place for a convincing rally in all the US financial markets. Bonds, equities and the dollar soared in response to the lower than expected US trade deficit announced on Friday. Not since before October's crash had the bulls managed so impressively to take command in all three markets at the same time.

Appropriately enough, it was the bond market which saw the most spectacular performance. Indeed, the 2½ point jump in the Treasury long bond price was the biggest advance seen in the bond market since the immediate aftermath of the crash. The long bond's closing price of 101⅝ and its yield of 8.77 per cent have brought the market back to within a hair's breadth of the best levels achieved in the first week of November.

So powerful was the swing in sentiment on Friday that there were moments of a genuine buyers' panic. Disgruntled investors reported having difficulty in getting through to dealers as telephone lines jammed with newly enthusiastic customers. Many professionals, meanwhile, were scurrying to close the short positions they had established earlier in the week in anticipation of a poor trade performance.

One of the most significant features of Friday's panic buying was that it gave some dealers their second expensive lesson in as many weeks on the risks of speculating against the dollar. Just after New Year's Day, the foreign exchange market had been totally outwitted by central bankers, when they refrained from intervention as the dollar fell in very thin markets to over-sold levels, only to step in with a massive buying orders in a classic bear trap.

Something similar appears to have happened last week, though on the level of policy statements and market psychology. Throughout the week, political leaders and monetary officials, from President Reagan and Mr Takeshita downwards, suggested strongly that they would not tolerate a further decline in the dollar, at least for the time being.



Source: Technical Data

In retrospect it is surprising that their remarks could have been greeted with such scepticism in the markets, where many people persisted in believing that the US trade deficit might even show an increase above the previous month's clearly aberrant figure of $17.6bn.

The key psychological question for all the financial markets now is whether this bearish sentiment is about to turn by 180 degrees, after the losses the unbelievers have suffered. The early comments on the November trade deficit of "only" $13.2bn suggested that such a U-turn may well now be in prospect.

It was only to be expected that President Reagan would seize on the figures as proof positive of his repeated assertions that "the economy is fundamentally sound" and that Mr William Verity, his Commerce Secretary, would pronounce the figures to be "good by any test".

The fact is, of course, that America's trade deficit is still appalling by any standards except the ones established during the past few months of financial nightmares. Even the much vaunted improvement of US trade in volume terms, and the 17 per cent growth of exports since the end of 1986, leave the US and the world economy with a horrendous deficit problem as far ahead as the eye can see.

In the longer term, therefore, the economic fundamentals still point unambiguously towards a lower dollar. Considering that currencies invariably overshoot their equilibrium levels, the target of Y100, which has been widely publicised by distinguished US economists like Professors Martin Feldstein of Harvard and Rudiger Dornbusch of MIT, would seem realistic.

In the longer term, the equilibrium level might be somewhat less bearish for the dollar – say, Y120 or so. Figures in this range seem to be broadly accepted by economists

For the next few weeks, however, the dollar could well trade higher, pulling the bond and equity markets with it, as the bulls unleashed by last week's trade figures run wild. The opening of the Japanese financial markets on Monday will give a good initial indication. If the Japanese continue to bid the dollar higher when they return from the holiday which kept them away from their trading desks on Friday, the prospects would seem to be set fair for the first period of generalised financial optimism since October.

The following are the economic indicators due for release this week, along with the the market expectations, as surveyed by Money Market Services of Redwood City, California:

- **Housing starts** (Tuesday 8.30 am) are estimated to have been 1.6m units in December, with forecasts ranging from 1.4m to 1.7m.
- **Durable goods orders** (Friday 8.30am) should be up by 0.5 per cent, with a range from minus 1 per cent to plus 3.3 per cent.
- **Consumer prices** (Friday 8.30am) are expected to have risen by 0.2 per cent, with estimates ranging from down 0.1 per cent to up 0.4 per cent.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.85	7.05	6.46	7.78	5.98
Three-month Treasury bills	5.87	5.87	5.98	7.17	5.83
Six-month Treasury bills	6.25	6.45	6.40	7.65	[illegible]
Three-month prime CDs	6.90	6.95	7.80	8.28	5.88
30-day Commercial Paper	6.76	6.77	8.85	7.62	5.75
90-day Commercial Paper	6.88	6.87	7.80	8.85	5.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	[illegible]	[illegible]	8.43	8.75	8.68
20-year Treasury	[illegible]	[illegible]	9.54	9.20	8.99
30-year Treasury	[illegible]	[illegible]	8.77	9.10	8.90
New 10-year A Financial	NA	NA	9.85	10.00	10.13
New AA Long utility	NA	NA	10.80	10.25	10.00
New AA Long industrial	NA	NA	9.93	10.05	9.95

Source: Salomon Bros (estimates).

Money supply: In the week ended January 4 M1 rose by $4.8bn to $756bn.

INTERNATIONAL EQUITIES

Stock Exchange forms Sequal for trade matching

THE FAILED trade is the bane of the international share dealer's existence. An estimated 40 per cent of all cross-border share trades fail at the first attempt.

Stories abound of trades disappearing under mountains of paper, of lost telexes and telephone misunderstandings about the number of shares traded or even their name. It is not uncommon for both parties in a transaction to imagine they are buyers, or sellers. The whole system of matching international equity trades is bedevilled by cumbersome and inconsistent procedures.

With matching so unreliable, from time to time share dealers, suffering from an adverse move in the market after agreeing to trade, have been suspected of deliberately causing a transaction to fail.

The significance of failed trades has been heightened by the increasing volatility of share markets around the world, so dramatically underlined by the worldwide collapse of prices in October. Large losses can be suffered, even if it takes only half an hour to sort out the reasons why a deal has not been matched. Often, though, it takes longer.

Independent electronic systems designed to reduce the extent of these problems are already being set up independently – Reuter's Instant-link and Fitel's Equinet, for example.

Now, the Stock Exchange in London, already a purveyor of a broad range of financial services to the domestic equity market, and of SEAQ International, a screen-based dealing system in non-UK equities, is getting in on the act.

It proposes to have a trade matching system for shares – which it calls Sequal – in offices by the end of the year.

The exchange says the decision to develop Sequal was based on the high priority given it by members, which are eager these days to find new ways to minimise unnecessary risks.

The system also has a potential to reduce overheads in an area that is still very labour-intensive, and allows dealing firms the potential to take on extra business without the need to hire more back room staff.

Sequal will lend itself to links to other systems – for example with the Association of International Bond Dealers' Trax share matching system – and eventually perhaps with the clearing and settlement process.

It will also allow the automatic forwarding of information to the Stock Exchange or the Securities Association, helping UK-based companies to comply with the requirements of the Financial Services Act.

Both parties to a transaction will enter their version of the agreement into the system, which will compare the two and identify a trade as matched or unmatched. Users will be able at any time to see the status of their trades, and whether any trades have been claimed against them. The price of trade will not be disclosed unless the matching has been made.

The system will operate around the clock, available to all the principals and their counterparties in the international equities business. It is also proposed that institutional investors will be able to use the system. Users can have a dedicated terminal or they may connect their own computers to the system.

One of the problems of streamlining the matching process internationally has been that there is no international coding convention to identify the security traded. Sequal proposes to get around this problem by setting up a kind of glossary in the central computer to translate the various conventions

Stephen Fidler

Barker & Dobson refutes allegations

BY NIKKI TAIT

Barker & Dobson, the supermarkets and sweets group which is currently waging a £2bn hostile bid for the larger Dee Corporation, yesterday hit back at allegations concerning its financing arrangements for the offer – this time detailing why it does not believe a key £1.6bn loan agreement will be breached.

"We have refuted all Dee's allegations in detail," commented Barker & Dobson chairman, Mr John Fletcher. "Contrary to Dee's assertions, the loan agreement is perfectly standard and was considered in great detail before we made the offer. Perhaps Dee will now address the real issues raised by the offer."

The dispute centres on B&D's plans to fund the £1.24bn cash portion of its bid – plus a further £350m-worth of working capital – via a loan facility organised with a syndicate of banks. A sizeable part of the loans would be repaid by the disposal of Dee's non-Gateway interests and its superstores.

Under the loan agreement, B&D must meet certain financial ratios throughout the facility's three-year term. Last week, Dee argued that two of these covenants – namely, that consolidated net worth for the merged group should exceed £765m at all times, and that borrowings of the enlarged group in the initial period should not top 2.05 times consolidated net worth – would be breached if the bid was successful.

B&D's rebuttal hinges on the calculation of the share premium account for the merged group – the largest component of B&D's subsequent net worth, given that it will be issuing 486m new 10p B&D shares. "In accounting for the acquisition of Dee," argues the bidder, "the correct approach to the calculation of premium is by reference to the value of Dee to B&D, as fairly assessed by the board of B&D."

B&D says that such treatment has been confirmed by Leading Counsel.

B&D goes on to argue that – unless the financial condition of Dee has worsened materially – consolidated net worth is estimated to top £825m; that permitted borrowings are therefore £1.691bn; and that no breach (on Dee's borrowing figures) would occur.

Dee, by contrast, based its net worth sums on the assumption that the new shares issued would be valued at the market price on the day the offer went unconditional. Approximating to this by using the bidder's current market price – then 140p – suggested net worth of £718.4m.

Last night, Dee's advisers Lazards maintained that two firms of accountants – Dee's own auditors, Grant Thornton, and Peat, Marwick, Mitchell – had vetted its treatment. "It has taken 12 days for this statement," commented Lazards. "Even if you accept their accounting convention, it shows how tight this financing is."

Eng. & Caledonian

Subsidiaries of British & Commonwealth Holdings own 30.7 per cent of ordinary shares in English & Caledonian Investment, a development capital company managed by B&C's Gartmore subsidiary, after the purchase of an 8 per cent stake by Damian Securities.

Tricentrol strengthens its defence against Elf

By Heather Farmbrough

TRICENTROL, the independent oil exploration company, has strengthened its defence against a hostile £135m takeover bid by Elf Aquitaine with a £250m loan package, which is expected to be published on Thursday as part of its defence document.

"Elf seems to have made much of the play that we are unable to finance future developments," said Mr Paul Smith, a director of Tricentrol yesterday. "However, we hope to prove that it is financeable."

Tricentrol has a substantial share of exploration acreage at Wytch Farm and in the North Sea. Its ability to exploit these has looked uncertain without additional financing, given existing borrowings of around £130m.

The majority of the refinancing package is in conventional bonds and North Sea revolving credit. It also includes the proposed issue of approximately £40m of new shares, or 30 per cent of the enlarged capital, to which a US institution has agreed to subscribe. This would value the new shares at around 170p, against Elf's 145p a share offer.

Mr Andrew Galloway of Samuel Montagu, which is acting for Elf, commented: "It looks extraordinary to me. I've never heard of a company coming up with a great issue of equity on a premium to the share price."

Martin Dickson looks at Pilkington a year after BTR's unsuccessful bid

Time for reflection in glass industry

ONE of the most politically controversial takeover battles of recent times came to an abrupt halt precisely a year ago this Wednesday when BTR, the industrial conglomerate, abandoned its £1.2bn bid for Pilkington, the glass manufacturer.

The anniversary means that this week BTR will become free, should it so wish, to launch a fresh bid for Pilkington, since the Takeover Code allows a company to renew an assault 12 months after the lapsing of its offer.

Vague rumours that BTR just might do so have circulated around the City's dealing rooms for the past few weeks, helping buoy up the Pilkington share price, though many City analysts believe a renewed bid is unlikely.

For one thing, BTR would have to face a repeat performance of last year's political storm, with all the attendant mud that was thrown at it. It might well be prepared to brush that aside, but a fresh bid would also carry considerable risks for BTR itself. The company's reputation has been built in considerable measure on a string of successful acquisitions, and for it to fall twice with a single target would create a credibility problem.

Still, BTR has hung on to the 3.8 per cent stake it built up in Pilkington before last year's bid. And its Australian subsidiary is currently involved in a bid for ACI International, a diversified group with interests which include a glass manufacturing joint venture with Pilkington.

Coincidence, or sign of a continuing interest by BTR in glass? When BTR abandoned the Pilkington bid it insisted that political pressures had not influenced it. Its decision, it said, had been based on soundings with Pilkington's main institutional shareholders which suggested it would have to pay too high a price to win control of the company.

So a crucial question now is how well Pilkington has performed over the last 12 months to keep those City institutions happy, and how its prospects appear for the next few years.

Certainly, the company has delivered on the two major promises it made during the takeover battle – in the short term, a dramatic improvement in trading profits, and over the longer term a move to reduce its dependence on the mature flat and safety glass markets by diversifying into higher technology areas, notably ophthalmics.

But there are also some sizeable clouds around, or on the horizon: the company has a substantial exposure to fluctuations in the value of the dollar; its large US subsidiary Libbey-Owens-Ford (LOF) is suffering from plunging profits; and while supply and demand in the European flat glass market are expected to remain in equilibrium for the next 18 months or so, there is a question-mark over the outlook thereafter.

The turning point of the battle with BTR was Pilkington's forecast that pre-tax profits in the year to the end of last March would reach £250m, double the £123m recorded the year before and far ahead of analysts' wildest expectations. In the event, the figure was even better than that – £256m – despite adverse movements in currencies because of the falling dollar.

And last month, at the interim stage, Pilkington produced £122m pre-tax, up 40 per cent.

The dramatic upswing represents the rebound from the dark days of the early 1980s when Pilkington's profits plunged, thanks to a price war among European flat glass manufacturers, fighting for market share at a time of excess production capacity, and the strength of sterling. The company set about a radical shake-up in working practices, which led to a halving of its UK workforce.

With supply and demand returning to balance in the mid-1980s, profits received a double boost – from greatly increased productivity and from a succession of price rises. In the UK, for example, flat glass prices rose by 25 per cent in 1986, 12 per cent in May last year, and only last Friday Pilkington announced that from April it was pushing up its prices across Europe by between 6.5 and 8 per cent.

Even after this it reckons that prices will remain some 9 per cent below 1981 levels, adjusting for inflation. But there is clearly diminishing scope for such large increases, particularly given the more uncertain economic outlook and the additional manufacturing capacity coming on stream in Europe over the next few years.

"We are in the middle of three fat years," says one analyst. "Thereafter the outlook could be much leaner."

Nevertheless, Mr Antony Pilkington, the company's chairman, says that taking into account the new capacity, and assuming there is not a full-blown recession, "our estimates show that demand in Europe is going to be strong next year and for some time after that."

Furthermore, he says, Pilkington can keep moving ahead through further cost reductions and improvements in margin due to the introduction of more sophisticated glass products. A major goal, for example, is to find a profitable way of manufacturing highly energy-efficient glass on the main production lines.

Even so, to protect itself from the cyclical fluctuations of flat glass the company has set a goal of lifting profits from higher technology areas like electro-optics and ophthalmics from 5 per cent of profits in 1986 to 30 per cent by the mid-1990s.

Last August it took a major step in this direction when it paid Revlon £361m to buy Vision Care, a leading US manufacturer of optical products. Pilkington already had a fledgling optical business, with its subsidiaries Sola (based in Australia) and Syntex (based in the US) but Vision Care catapulted it into a much bigger league.

The old and new businesses fit very well, with minimum product overlap. For example, where Pilkington is strong in hard, gas-permeable contact lenses, Vision Care is a leader in soft lenses.

Analysts were generally enthusiastic about the strategy behind the acquisition, which will increase the share of profits from higher technology to around 16 per cent.

The price paid – around 29 times Vision Care's earnings – is expected to dilute Pilkington's earnings by about 7 per cent in the current year. But the company argues that a degree of dilution would be difficult to avoid in any bid for a highly rated high technology company and that the long-term benefits will be substantial.

Several teams are currently integrating the old and new businesses and, says Mr Pilkington, "every piece of news that is coming out is good. The fit is not only good but we've bought some very good management."

But matters are less encouraging at LOF, a leading US manufacturer of safety glass, which supplies over 60 per cent of that used in General Motors' vehicles. This close relationship is proving a weakness, for GM's share of the US market has been plunging.

Pilkington, which took control of LOF in 1986, says that it had anticipated pressure on GM, in part because of increasing Japanese car manufacturing in the US. "But what we thought would happen by 1990 happened in six months," says Mr Peter Grunwell, the finance director. "We have been repositioning LOF, but we can't reposition it at the speed GM has lost market share."

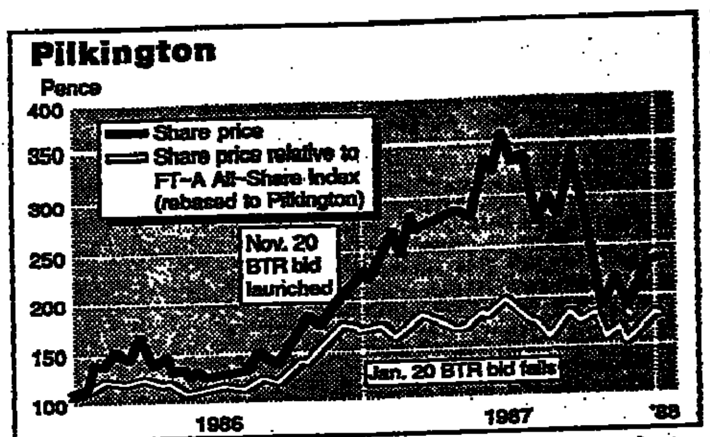
Remedies include putting more glass into the general trade, concentrating on the replacement market for car windows and forging links with other auto manufacturers. But GM's difficulties look like overshadowing LOF for some years to come, and an economic downturn which hit demand for new vehicles hard would compound the problems.

Analysts now expect these various factors to work through into pre-tax profits for the current year of around £300m-£305m, up some 20 per cent, with £320m-£340m possible for 1988/9 – though with the outlook for the dollar so uncertain, the figures must be subject to a considerable margin of error.

In the immediate aftermath of the BTR bid, and in the generally heady market conditions of early last year, Pilkington's shares enjoyed a substantial re-rating. After the summer, and particularly in the wake of the market collapse, they lost a lot of that ground, only to start rising again recently on renewed bid speculation. They now stand on a prospective 1987/8 p/e ratio of around 9.

That is still hardly expensive, but any predator would have to pay a substantially higher multiple to stand any chance of success. And with its market capitalisation now about £1.7bn, that would make Pilkington a very large mouthful – at a time when bidders are having to offer cash rather than paper.

All this apart, would BTR be interested, given that the past year has allowed Pilkington to reap most of the benefits of the cyclical upturn. And with rationalisation stripping much of the fat from the business, analysts question whether BTR could reap many additional benefits from a change of ownership.



Stormgard makes £0.5m stationery entrance

BY ANDREW HILL

Stormgard, the troubled textiles group, is expanding into the stationery industry with the £510,000 purchase of Brunton & Williams, a private wholesale company making stationery and related products.

Mr David Dunn, Stormgard's managing director, has experience in this area, having been managing director of Ryman, the stationery retailer, and chairman Mr John Murray used to be chairman of Twinlock, the office file manufacturer.

The group believes such diversification will provide it with greater earnings stability now that an extensive programme of disposals is complete.

The purchase price will be satisfied by the issue of 2.08m new Stormgard shares to Brunton & Williams and £260,000 in cash.

In the year to March 31 Brunton & Williams made pre-tax profits of £137,000 on turnover of £4.5m and had net assets of £524,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims– Asda-MFI, Cook(DC), David S Smith, Harmony Leisure, Harrison Inds., Honorbilt, Real Time Control, SW Wood.

Finals– Brooke Tool Eng., Burndene Invs., Evode, Trusthouse Forte.

FUTURE DATES

Interims–	
Dale Electric Intl	Jan 27
Fletcher King	Jan 27
London Invest. Tst.	Jan 28
McKay Secs.	Jan 25
Samuel Heath	Jan 21
Sommerville(Wm)	Jan 29
Wood(J.D.)	Jan 26
Finals–	
Hodgson Hldgs.	Jan 28
Manchester Ship	Feb 9
Vickers	Feb 22
Windsor Secs	Jan 19

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Dalgety	Feb 16	Interim 6.0
Dowty	Jan 21	Interim 2.8
Lonrho	Jan 29	Final 1.0
Peachey	Feb 18	Interim 4.0
* Racal Elec	Jan 26	Interim .7665

Downturn for Welsh Industrial

The Welsh Industrial Investment Trust, which is waiting for the outcome of its application to the Inland Revenue for investment trust status, announced a drop in pre-tax profits from £31,427 to £16,122 for the six months to October 5 1987.

Tax fell from £9,113 to £4,500 and earnings per 5p share worked through at 0.86p (1.65p). Last time there was an extraordinary £45,000 debit. Attributable profits amounted to £11,622 (£22,686 losses).

MS International

MS International has repeated its rejection of the £25.1m takeover bid from Dobson Park Industries. In a letter to shareholders, Mr Michael Bell, MS chairman, said the board was "united in its total opposition to this derisory bid."

Bemrose purchase

Bemrose Corporation, the security printer, announced yesterday that its related US company, Bemrose Yattendon, has bought the Jaffa Company, a Texas-based business which produces etched crystal advertising gifts.

Bemrose Yattendon is owned jointly by Bemrose and Yattendon Investment Trust. It has bought Jaffa through its wholly owned subsidiary Janesville Group for $2.84m (£1.56m) cash, mainly funded by local bank borrowings.

Rivlin name change

Rivlin now has three major subsidiaries – CMD Property Group, City Merchant Developers, and CMD Developments Co-ordination. To reflect the ongoing business activities and the changes made, the directors propose changing Rivlin's name to City Merchant Developers.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Eurotunnel (Units & Warrants) (Section:Industrials).

How Group (Buildings).

Lendu Holdings (Plantations-Rubber).

Paragon Communications (Paper).

Tarn Pure Technology (Canadians).

FINANCIAL TIMES STOCK INDICES

	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Jan. 11	Jan. 8	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.96	87.56	86.97	87.54	87.60	87.38	93.32	83.73	127.4	49.18
Fixed Interest	94.55	94.44	94.46	94.62	94.52	94.14	99.12	90.23	105.4	50.53
Ordinary	1436.7	1398.7	1391.1	1386.9	1417.4	1424.5	1926.2	1232.0	1926.2	49.4
Gold Mines	294.5	284.1	286.1	290.8	296.5	308.6	497.5	261.6	734.7	43.5
FT-Act All Share	909.36	890.22	884.71	888.52	895.83	904.43	1238.57	784.81	1238.57	61.92
FT-SE 100	1787.7	1743.4	1733.4	1739.2	1760.2	1773.4	2443.4	1565.2	2443.4	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§72	F.P.	-	78	70	Atlantic Securities 5p	78		-	-	-	-
330	120	-	92	70½	British Petroleum	74	+1½	K12.5	1.5	6.0	14.1
-	F.P.	-	4½	2	EFM Dragon Tst. Wrrnts.	4½		-	-	-	-
†	F.P.	-	268	231	English & Caledonian Inv.	231		-	-	-	-
†	F.P	-	125	67	Hard Rock A (R-Vtg) 2p	79	+12	L1.53	3.3	2.7	14.1
§100	F.P.	-	113	100	‡Hatfield Estates 10p	113	+3	R1.5	10.2	1.8	7.4
85	F.P.	15/1	100	93	Intl. Colour	98		L1.0	7.4	1.4	13.2
-	F.P.	-	362	262	Lefkochrysos NPV	312		-	-	-	-
†	F.P.	-	36	23	‡Mowat Group 10p	35		-	-	-	-
§18	F.P.	23/12	23	19	‡Pathfinders Grp. 5p	23	+1	b0.29	3.9	1.7	20.1
§100	F.P.	-	109	103	‡Shorco Grp.	107		R3.65	2.7	4.7	10.8
3	F.P.	-	4	3¼	*Swanyard Studios	4	+½	-	-	-	22.8
§114	F.P.	-	121	115	‡Sykes-Pickavant 10p	121		R5.25	2.0	5.9	11.4
§165	F.P.	-	220	200	*Takare £1	213		b1.0	8.1	0.6	21.9
§70	F.P.	-	73	59	‡Trevian Hldgs. 10p	60	+1	R2.0	4.6	4.6	6.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
-	-	-	110	90½	Ansbacher(H.)9pc.Cnv.Sub.Ln.1998	102½	
-	F.P.	-	127	123	Blue Circle 7¾pc Cnv.Cum.Red.Pref.	127	
100	F.P.	-	109	106	Citygrove 7¾pc. Cum.Cnv.Red.Prf.£1	109	
§91.54	£50	11/2	50	48¾	Brit.&Comm.10½pc.Un.Ln.2012	49	
‡	F.P.	-	121p	113p	Granada 7½pc.Cv.Pf	121p	
100	F.P.	21/1	48	43	Housing Fin.5pc.Deb.2027	45½	+½
100	F.P.	21/1	757	700	Do. Zero Deb.2012	738	
-	F.P.	-	100½	99½	N'wide Anglia 9¼pc 28.11.88	99⅝	
-	F.P.	-	100½	99⅝	Do. 9¼pc 28.12.88	99⅝	
165p	Nil	-	22pm	17pm	‡Sharpe & Law 8½pc.Cm.Rd.Pf 10p	17pm	-3
100p	F.P.	-	115p	100p	‡Willaire Fixed Rate Cnv.Cum.Red.Prf.	113	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
28	Nil	-	10pm	7pm	Maxiprint	8pm	
27	Nil	-	2½pm	1pm	Wheway 10p	1pm	

Renunciation date usually last day for dealing free of stamp duty.a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield .L Estimated annualised dividend,cover and p/e based on latest annual earnings.N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.Z Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided. ¶ Issued by tender.♦ Offered to holders of ordinary shares as a rights.† Introduction.§Placing price.†† Reintroduction.♦ Issued in connection with reorganisation merger or takeover.‡ Allotment price.‡ Unlisted securities market.♦ Official London listing.□ Including warrants entitlement.* Third Market.

FT CROSSWORD No.6,532

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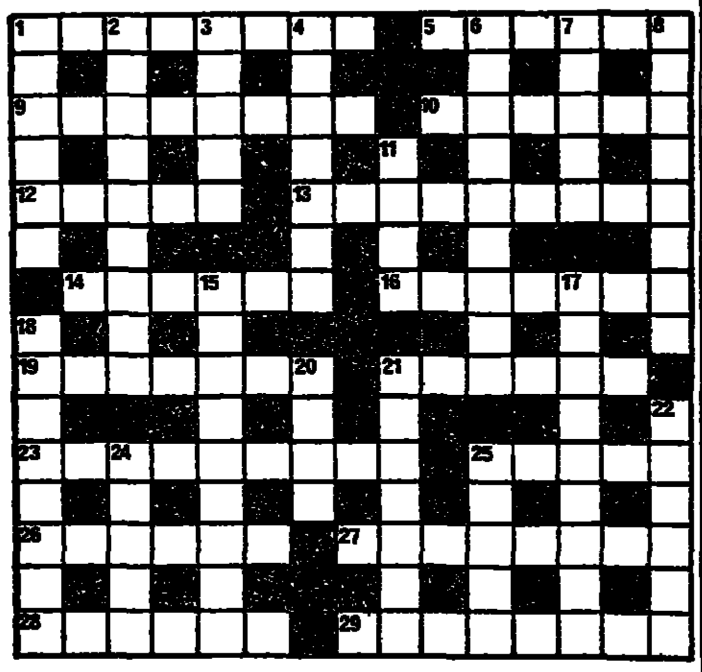


ACROSS

1 Cricketer yearns to be a spinner (4-4)
5 Accounts to be settled in large, numbers (6)
9 A bloomer - a miserable clanger! (8)
10 Animal has no end of courage in a melee (6)
12 Unable to sleep because of an all-night party (5)
13 Double measure (9)
14 I get in trouble, but make light of the matter (6)
16 It's beastly being a long time in one occupation (7)
19 Retired Thespian appearing as Shylock (7)
21 Fine commotion about American way to make tea (6)
23 Wake up to a neighbourly invitation (4,5)
25 Yank goes back to church in the valley (5)
26 Something to read in bed? (6)
27 Doors of opportunity? (8)
28 Maoist is involved in Chinese philosophy (6)
29 Those who crib in exams upset teachers (8)

DOWN

1 According to his horoscope his life is in the balance (6)
2 Broken rule again leads to suffering (9)
3 Island's put up a black (5)
4 This angle can't be right (7)
6 Revolutionary diversion for clubmen (5-4)
7 Just a bit frightening (5)
8 Had a fight and was thrown out (8)
11 Advertising account? (4)
15 Pauses in travels abroad (9)
17 Lip lines once in fashion (9)
18 Inclination to write a song (8)
20 Flight in an organised tour (4)
21 Sort of study carried out by bathyscope? (2,5)
22 They may appear to frighten people (6)
24 Fruit that gives individual vitality (5)
25 Sail for Italian port (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 30.

Solution to Puzzle No.6,519

MULLAH#HALFCOCK
A#E#L###L#I#V#E
IDEALS#STARTURN
N#K#O#O#O#E#L#N
FISHWIFE#ADHERE
U#O#S#F#S#O#S#L
SLUG#CHICAGO###
E#P#C#A#A#S#S#P
###CANNING#SHOO
O#G#S#D#D#S#O#L
LOUCHE#BACKSTAY
D#I#C#P#L#O#S#G
LONGROAD#UPHILL
A#E#O#S###J#L#O
GOALPOST#WESKIT

This solution was omitted from Saturday's FT

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	25.9	27.6	+0.1	–
Do. Income	25.8	27.5	+0.1	0.79
Scimitar European Acc	21.2	22.6	+0.1	–
Do. Income	21.2	22.6xd	+0.1	0.11
Scimitar UK Eq Inc Acc	35.2	37.1	+0.3	–
Do. Income	33.7	35.5	+0.3	5.49
UK Cap Gth Acc	22.2	23.4	+0.3	0.75
Scimitar Pac Basin Acc	25.1	26.8	+0.2	–
Scimitar Mangd Exempt*	136.5	142.2xd	–3.5	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1052

Intnl Income Units	124.1	132.0	–	3.51
Intnl Accum Units	189.9	202.0	–	3.51
UK General Acc	34.4	36.9	–0.1	3.11
UK General Inc	35.0	37.4	–0.1	3.11
American	25.3	27.1	–	0.64
European	32.9	35.2xd	+0.1	0.94
Japan	51.2	54.8	+0.4	–
Technology	33.3	35.6	+0.1	1.42
Performance Trusts				
Far East Perf Tst	16.2	17.4	+0.2	0.64
High Inc Perf Tst Inc	23.2	24.8	–	3.37
High Inc Perf Tst Acc	23.7	25.3	–	9.37
Worldwide Tax Perf Tst	26.2	28.0	–	–

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	204.6	214.6	–3	2.81
Columbus (America)	118.8	127.2	–3	1.42
Marco Polo (Pacific)	191.3	204.5	+0.3	0.99

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	364.4	383.6	—	—
Eb'r Ph. Ec.	314.7	334.4	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	157.4	165.6	-0.3	—
International Acc.	119.0	125.2	-0.3	—
Property Acc.	121.9	128.3	—	—
Fixed Interest Acc.	146.6	154.3	+1.1	—
Money Acc.	135.1	142.2	+0.1	—
Bldg. Soc. Link Acc.	132.2	139.1	+0.1	—
Special Mngd. Acc.Q	139.2	146.5	—	—
Phoenix/Framlington				
Intnl. Growth Acc.	79.6	83.7	+0.3	—
Amer. & Gen. Acc.	72.1	75.8	+0.7	—
Capital Tst. Acc.	169.6	178.5	+0.6	—
Japan & Gen Acc.	163.0	171.5	-2.3	—
American Turn. Acc.	71.3	75.0	+0.8	—
Recovery Tst. Acc.	156.9	165.1	+0.7	—
Special Mngd Acc.	133.2	140.2	+0.8	—
Phoenix/GT				
International Acc.	116.1	122.2	—	—
US & General Acc.	84.9	89.3	—	—
Amer Spec Sits Acc.	58.6	61.6	+0.1	—
Japan & General Acc.	154.2	162.3	+1.9	—
Far East & Gen. Acc.	126.4	133.0	+1.5	—
UK Capital Acc.	164.4	173.0	+0.9	—
European Acc.	122.5	130.0	-2.4	—
Special Mngd. Acc.	118.5	125.0	+0.2	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.1	276.2	—	—
Max Pens Inc & Cap Fds	335.2	353.9	—	—
Money Fund	110.8	116.7	—	—
Pens. Mngd Fd (Unit)	84.5	89.0	—	—
Pens Mngd Fd (Acc)	94.2	99.2	—	—
Pens. FT30 Fd (Unit)	125.3	131.9	—	—
Pens FT30 Fd (Acc)	139.7	147.1	—	—
Pens O'seas MgFd(Inc)	49.4	52.0	—	—
Pens O'seas MgFd(Acc)	55.1	58.0	—	—
Pens Fxd Int Fd (Unit)	104.8	110.4	—	—
Pens Fxd Int Fd (Acc)	116.9	123.1	—	—
Pens Deposit Fd (Unit)	100.6	105.9	—	—
Pens Deposit Fd (Acc)	112.2	118.2	—	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Jan 13	192.9	199.9	—	—

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	422.6	444.9	+5.3	—
Equity Fd.	866.3	911.9	+9.5	—
Intnl. Fd.	295.9	311.5	-7.2	—
Fixed Int. Fd.	350.6	369.1	+3.3	—
Prop. Fd.	299.9	315.7	—	—
Cash Fd.	232.0	245.1	+0.1	—
Pacific Basin Fd.	154.4	162.6	-0.2	—
North American Fd.	116.8	123.0	+4.6	—
European Fd.	131.9	138.9	+4.9	—
Holborn Balanced Gwth Fd	—	—	—	—
Holborn Strategic Gwth Fd	—	—	—	—

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	443.7	467.1	—	—
Equity	635.8	669.3	—	—
Global Equity	180.6	190.2	—	—
Fixed Interest	355.3	374.1	—	—
Property	299.6	315.4	—	—
Cash	136.8	144.1	—	—
Index Linked Gilt	154.7	162.9	—	—
Guaranteed	9.25	10.25	—	—
International Money	186.2	196.1	—	—
North American Fd	51.7	54.5	—	—
Japanese Fund	104.1	109.6	—	—
European Fund	67.3	70.9	—	—
Special Situations Fd	91.6	96.5	—	—
Communications Fund	78.2	82.4	—	—
Smaller Cos Fund	94.0	99.0	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretionary Jan 13	£118.09	121.61	—	—
Equity Fund Jan 13	£127.76	131.64	—	—
Intnl Fund Jan 13	£19.29	19.93	—	—
Intl Bond Fd Jan 13	£10.09	10.24	—	—
Fixed Int Jan 13	£64.24	65.07	—	—
Index Linked Jan 13	£47.15	47.72	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
26 Jul 26 Jan	Treas 7¼pc 1985–88‡‡	99½xd	21.12	7.76	10.63
10Nov 10May	Exch 10½pc '88	100⅝	5.10	10.45	8.92
14Dec 14Jun	Treas 9¾pc Cv '88	100¼	9.11	9.73	9.07
1Jan 1Jul	Transport 3pc '78–88	98¼	01.11	3.05	6.92
25 Apr 25 Oct	Treas. 9½pc '88	100¼	18.9	9.49	9.21
22 Aug 22 Feb	Treas 11½pc 1989	102⅛	16.7	11.26	9.36
18 Oct 18 Apr	Treas 9½pc Cnv 1989	100⅜	11.9	9.48	9.28
15Nov 15May	Treas 3pc 1989	95⅞	9.10	3.14	6.55
14Dec 14Jun	Treas 10½pc 1989	101⅜	5.11	10.36	9.41
1Feb 1Aug	Exch 10pc 1989	100⅝xd	29.12	9.92	9.44
29 Mar 29 Sep	Exch 11pc 1989	102¼	24.8	10.75	9.46
15 Apr 15 Oct	Treas 5pc 1986–89	95½	8.9	5.25	7.94
15 May 15 Nov	Exch 10¼pcCv '89	102¼	9.10	10.00	8.69
15 Jul 15 Jan	Treas 13pc 1990‡‡	106⅜xd	9.12	12.21	9.37
12 Aug 12 Feb	Exch 11pc 1990‡‡	102⅞xd	6.1	10.69	9.40
22 Sep 22 Mar	Exch. 12½pc 1990	105⅞	17.8	11.80	9.41
8 Nov 8 May	Treas. 3pc 1990	91⅜	2.10	3.28	7.03
15 Dec 15 Jun	Treas 8¼pc 1987–90‡‡	98½	9.11	8.38	8.94
16July 16Jan	Tr. 8pc Cv 1990 (30pd)	50⅜	–	8.16	8.90
25 Apr 25 Oct	Treas. 10pcCv 1990	101⅜	18.9	9.86	9.36
22 May 22 Nov	Exch 2½pc 1990	88⅝	16.10	2.81	6.79
10 July 10 Jan	Treas 11¾pc 1991	106	4.12	11.09	9.40
5Oct 5Apr	Funding 5¾pc '87–91‡‡	92⅞	1.9	6.20	8.34
13 Nov 13 May	Treas. 3pc 1991	87⅞	7.10	3.42	7.24
12Jan 12July	Treas 10pc Cv '91 ‡‡	102⅜	7.12	9.73	9.06
25Apr 25Oct	Exch. 11pc 1991	104⅞	18.9	10.49	9.41
10Jun 10Dec	Treas. 8pc 1991	95⅜	1.11	8.34	9.27
22July 22Jan	Treas 12¾pc 1992‡‡	110⅝xd	16.12	11.51	9.45
21Aug 21Feb	Treas 10pc 1992	101⅞xd	15.7	9.81	9.41
13Oct 13Apr	Treas. 8pc 1992 ‡‡	95⅝	11.6	8.38	9.31
7 Nov 7 May	Treas 10½pc Cv 1992‡‡	103⅜	1.9	10.13	9.44
11Dec 11Jun	Treas. 3pc 1992	83⅜	4.11	3.57	7.30
25 Feb 25 Aug	Exch. 12¼pc '92	109⅝	20.7	11.17	9.57
22Mar 22Sep	Exch 13½pc 1992	114⅝	17.8	11.81	9.62

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
26July 26Jan	Treas. 7¾pc 2012–15‡‡	84½xd	21.12	9.19	9.36
12Jun 12Dec	Exch. 12pc '13–'17	123⅞	5.11	9.70	9.51

Undated

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb 1Aug	Consols 4pc	42⅜xd	29.12	9.47	–
1Jun 1Dec	War Loan 3½pc‡‡	37⅝	26.10	9.30	–
1Apr 1Oct	Conv. 3½pc '61 Aft	49⅞	25.8	7.17	–
5Apr 5Oct	Treas. 3pc '66 Aft	31⅜	1.9	9.74	–
5Ja Ap Jy O	Consols 2½pc	26⅛	1.12	9.59	–
1Apr 1Oct	Treas. 2½pc	26⅛	25.8	9.52	–

Index–Linked

Interest Due	Stock	Price £	Last xd	(1)	(2)
30 Sep 30 Mar	Treas. 2pc '88(297.1)	133⅜	24.8	–	–
25 Jul 25 Jan	Do. 2pc '90(333.9)	118½xd	21.12	.850	2.27
23Sep 23Mar	Do. 2pc '92‡‡ (385.8)	99⅞	17.8	2.13	2.83
16Mar 16Sep	Do. 2pc '96(267.9)	127⅝	10.8	3.50	3.85
24Mar 24Sep	Do 2½pc '01 (308.8)	105⅞	18.8	3.98	4.23
20Nov 20May	Do. 2½pc '03(310.7)	102⅞	14.10	3.99	4.22
19Jan 19July	Do. 2pc '06(274.1)	103⅜xd	14.12	4.01	4.20
20Nov 20May	Do. 2½pc '09(310.7)	97⅞	14.10	4.01	4.18
23Feb 23Aug	Do. 2½pc '11(294.1)	100⅜	17.7	3.99	4.15
16Feb 16Aug	Do. 2½pc '13(351.9)	83⅜xd	11.1	3.97	4.12
26Jan 26July	Do. 2½pc '16(322.0)	90⅝xd	21.12	3.92	4.07
16Oct 16Apr	Do. 2½pc '20 (327.3)	88⅞	9.9	3.85	3.98
17Jan 17July	Do. 2½pc '24 ‡‡(385.3)	74⅜xd	11.12	3.79	3.92

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for May1987:101.9 and for December:1987 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Yield
1Apr 1Oct	Greek 7pc Ass	45	2.11	3.50	17.42
1Feb 1Aug	Do. 6pc 28 Stb. Ass	45	3.8	3	16.37
1Apr 1Oct	Do 4pc Mixed Ass	45	1.10	2	14.44
1May 1Nov	Hung. '24 Ass	63	5.85	2.75	14.22
31May 30Nov	Hydro Quebec 15pc 2011	132⅝	24.10	15.00	10.91
31Jan 31July	Iceland 14½pc Ln 2016	123¾	9.7	14.50	11.81
1Mar 15Sept	Iceland 9¾pc '91–96	97	10.8	9.75	10.50

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly Oct	Rep NY Corp $5	24	10.12	$1.16	–	2.6
Mr Jn Se De	Rockwell Intl $1	9¾	9.11	66c	–	3.9
Oc Ja Ap Jy	Sara Lee $1⅓	19⅞	13.00	$1.00	–	2.8
Mr Ju Se De	Saul (B.F.) $1	8⅞	12.1	20c	–	1.2
Fb My Ag No	Southwestern Bell $1	19⅝	[illegible]	$2.32	–	6.6
–	Surey Commercial	11⅞	–	80c	–	3.7
Mr Jn Se De	Sun Co. Inc. $1	29¼	5.11	$3.00	–	5.8
Mr Jn Se De	TRW Inc. $2.625	25¾	12.8	$1.60	–	3.4
Mr Jn Sp De	Tenneco $5	22½	11.9	$3.04	–	7.4
June Dec	Do. 10¼% Ln. Stk. 92-5	155	13.12	10¼%	–	14.7
Mr Je Se De	Texaco $6.25	20¼	32.7	$3.00	–	8.1
Mr Ju Se De	Time Inc. $1	44½	22.8	$1.00	–	1.2
Ja Ap Ju Oc	Transamerica $1	17	29.12	$1.54	–	5.9
Fe My Au No	Transworld Corp $5	808p	11.11	20c	–	1.4
Mc Je Se De	TRINOVA Corp	16	9.12	56c	–	1.9
Mr Je Se De	USX $1	16¾	30.10	$1.20	–	3.9
Mr Jn Sp De	Utd. Technologies	19¾	19.5	$1.40	–	4.0
Fb My Ag No	US West$	27⅞	13.4	$3.28	–	6.4
–	Waste Management $1	20	15.12	–	–	–
–	Whirlpool $1	13⅝	–	–	–	–
Mr Je Se De	Woolworth $3½	19½	19.11	$1.32	–	3.8

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES — Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▮ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

CONSTRUCTION CONTRACTS

Banbury bypass project

A £52.2m contract has been awarded to TARMAC CONSTRUCTION by the Department of Transport to build part of the Banbury bypass section of the M40. Believed to be the largest individual contract ever awarded for motorway construction, the Banbury bypass contract III is the first of four contracts to be let on the Banbury bypass – the section of the M40 which will run from Wendlebury to Gaydon. The project covers 7.6 miles and extends from the B4031 at Aynho, Northamptonshire to just short of the A423, north of Banbury. The work, which is expected to start in February, will include 22 bridges and 13 drainage courses and is expected take about two and half years. Further contracts for the Banbury bypass will be announced in the spring and summer. Contracts for Warwick South and North were announced in June and October respectively.

£30m Esso complex in Surrey

Esso has awarded the management contract to construct its complex in Leatherhead to HIGGS & HILL MANAGEMENT CONTRACTING, New Malden. The scheme is valued at about £30m.

Planning consent for the project was granted by Mole Valley District Council in January 1986. A development of over 250,000 sq ft is planned for the 22 acre site.

The current schedule expects occupancy of the facilities, which will accommodate some 1000 Esso employees, in 1990.

Kyle Stewart builds stores for Tesco

A contracts package totalling more than £30m has been awarded to KYLE STEWART for superstores, a distribution depot, reconstruction of an aircraft hanger and refurbishment projects. Largest of the awards is an £11.5m distribution depot for Tesco at Harlow, Essex, where work is to start soon under a design and construct store project. The 22,200 sq metres steel-framed building, on a 17 acre site at the Pinnacles industrial estate, will be completed in a year.

Work is due to start in the spring on construction of a £7.5m Tesco superstore at Gallows Corner, Romford. The 75,000 sq ft store will be built on a former brewery distribution depot site close to the A12 and will include a large car park and a petrol filling station.

In Hastings, Sussex, a Tesco superstore is being enlarged by 21,000 sq ft involving extensive excavations into a hillside, under a £5.8m contract. Sales areas will be increased and facilities improved to bring the store up to modern standards over the next 15 months.

Due for completion in September is a £3.25m contract for British Airways to form a spray painting facility for jumbo jets from an existing hanger at Heathrow. Work involves extensive structural alterations.

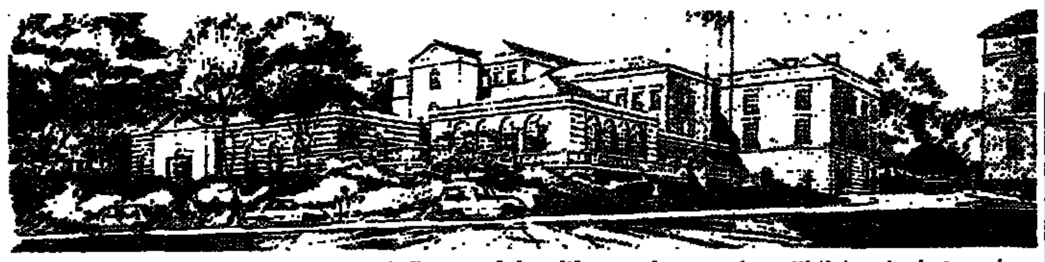
Part of a former telephone exchange at Chiswick High Road, west London, is being converted and upgraded to form offices for British Telecom under a £1.25m contract due for completion in March.

At the Royal Free Hospital, Hampstead, a new cook-chill unit, plus 17 ward kitchens will be installed under a contract worth £538,000, and at Ruislip post office, the sorting office roof is being replaced under a £250,000.

Ministry buildings in Baghdad for Rotary

THE ROTARY GROUP has won contracts worth over £20m. These include a £13m contract for government buildings in Baghdad financed by Morgan Grenfell, supported by the ECGD: the Royal Naval Hospital in Gibraltar for Haymills (£500,000); mechanical services in London Docklands; new crane wharf by Laing Management (£1.5m); offices at Featherstone Street in the City of London for Lelliots (£900,000); electrical sub-distribution for the British Museum (£850,000); British Nuclear Fuels, Capenhurst (£550,000); and mechanical contracts at Apollo Computers and Mitsubishi for Livingston Development Corporation in Scotland (£1m)

First class hotel for Exeter



The South West and South Wales region of WIMPEY CONSTRUCTION UK has been awarded a £5.5m design and build contract by Trusthouse Forte (UK) for a hotel on the corner of Southernhay East and Magdalen Streets in Exeter. The four-storey hotel comprises 116 bedrooms, restaurant, a health and fitness club with a swimming pool, sauna and gym, and service areas. Existing Grade II listed buildings in Southernhay East Street will be refurbished and incorporated into the new complex, which is designed to blend in and complement its prime city location adjacent to the Cathedral and shopping centre, whilst enjoying a view towards the hills. The 6615 sq metres building will have a steel frame with brick/block cladding on concrete pad foundations. Work has started on the 12-month contract which also includes parking for 115 cars, access roads and pavements.

Leisure complex for Bracknell

RUSH & TOMPKINS is to build "Coral Reef", a £6.8m leisure pool complex for Bracknell District Council, Berkshire. The contract is due for completion in May 1989.

Designed to advanced standards, the constuction of the pool hall features extensive use of timber, complementing its woodland setting. The main internal focus is a 13-metre long pirate ship standing on a coral reef, evoking associations of topical warmth and luxury.

Water pleasures include three flume rides, spa pools and shallow toddlers' pools with gentle currents. For after-swim relaxation, Coral Reef will offer a sauna suite (including steam room, solarium and cool plunge pool), two poolside refreshment areas and a restaurant operating throughout the centre's opening hours.

The company has won a contract, worth about £7m, to construct an ASDA superstore in the centre of Gravesend. The 45 week contract is due to be completed in October.

Constructed of light brown facing brick with contrasting trim, and a clay pitched roof, the structure will comprise a single storey 50,000 sq ft superstore with attached foyer, shoppers' restaurant, warehouse, service yard and first floor staff offices - a total of 94,000 sq ft. There will be car parking provision for 785 cars, and an escalator link from the main road down into the store.

The site, on the Imperial Business Estate Gravesend, was previously a chalk pit and preliminary work by the contractors will include stabilising two cliff faces and pile driving. Vehicle access to the site will use of a redundant railway tunnel.

DIARY DATES

FINANCIAL

TODAY

BOARD MEETINGS-
Finals;
Brooke Tool Engineering
Burndene Invs.
Evode Group
Trusthouse Forte
Interims;
ASDA–MFI
Cook (D.C.)
Harmony Leisure
Harrison Inds.
Honorbilt
Real Time Control
Smith (David S.)
Wood (S.W.) Group

DIVIDEND & INTEREST PAYMENTS-
Berry Trust 3.95p
Bromsgrove Inds. 0.85p
Creighton Labs. 1.4p
Dawson Intl. 2.4p
De La Rue 3.25p
Drummond Group 1p
GEI Intl. 1.94p
G.T. Asia (Sterling) Fund Ptg. Red. Prf 12p
M. & G. Second Dual Trust 7.85p
Merrydown Wine 1p
Nationwide Bldg. Society Fltg. Rate Nts. 1995 (2nd. Series) £39.24
Northern Securities Trust 1p
Premier Group Hldgs. 50cts.
Do. Prf. 67.5cts.
Prontaprint Hldgs. 1p
Quadrant Group 1p
600 Group 2.34p
York Trust Group 0.45p

TOMORROW

COMPANY MEETINGS-
Circaprint Hldgs., Larkfield Hotel, Larkfield, Maidstone, 11.30
Concentric, Penns Hall Hotel, Penns Lane, Sutton Coldfield, 2.30
County Properties, Victoria House, Vernon Place, W.C., 12.00
Hanson, Barbican Centre, Barbican, E.C., 11.00
Leeds Group, Post House, Bramhope, Leeds, 12.00

BOARD MEETINGS-
Finals;
Anglia Television
Blick
LPA Inds.
Soundtracs
Windsor Securities
Interims;
Adscene Group
Clarke Hooper
Clarke (Matthew)
Electron House
Gold Fields of South Africa
Hampson Inds.
Osprey Communications
Stanley Leisure Org.

DIVIDEND & INTEREST PAYMENTS-
Bellway 5p
Exchequer 9¾% 1998 4⅞pc.
Hill Samuel Group Fltg. Rate Nts. 2016 $396.08
Holmes Protection Group 1cts.
Palmerston Inv. Tst. 3p
Treasury 2% I.L. 2006 £1.46

WEDNESDAY JANUARY 20

COMPANY MEETINGS-
MEPC, Hyde Park Hotel, 66, Knightsbridge, S.W., 11.45
Wellcome, Grosvenor House Hotel, Park Lane, W., 11.00
Wolverhampton & Dudley Breweries, Station Hotel, Castle Hill, Dudley, 12.00

BOARD MEETINGS-
Finals;
Allied Textile
Crown Television Productions
Derby Trust
First Leisure
Lookers
Microgen Hldgs.
Spice
Interims;
Fleming Technology Inv. Tst.
Kenyon Securities
Kewill Systems

DIVIDEND & INTEREST PAYMENTS-
Argyll Group 1.8p
Atkins Bros (Hosiery) 3p
Elys (Wimbledon) 7¼% 1st. Mtg. Deb. 1986/91 3⅝pc.
Do. 9¾% Un. Ln. 1995/99
Leeds Group 4p
Marling Inds. 1p
Parkway Group 0.35p
Wells Fargo 50cts.

THURSDAY JANUARY 21

COMPANY MEETINGS-
Chrysalis Group, Ironmongers Hall, Aldersgate Street, E.C., 12.00
Strata Invs., 3, Finsbury Avenue, E.C., 2.30

BOARD MEETINGS-
Finals;
Colorvision
Denmans Electrical
Elandsrand Gold Mining
Electronic Machine
Gestetner Hldgs.
Hill & Smith
M. & G. Group
Raeburn Inv. Tst.
St. Andrews Trust
South African Land & Expln.
Southvaal Hldgs.
Vaal Reefs Expln. & Mining
Western Deep Levels

Interims;
Abingworth
Beales (John)
CoolMoore
Free State Cons. Gold
Hambro Currency Distributor Fund
Heath (Samuel)
Newmark (Louis)
Nordic Inv. Tst.

DIVIDEND & INTEREST PAYMENTS-
Amber Day Hldgs. 10½% Cum. Prf. 1999/2002 5.25p
BSS Group 4p
Burnd 7% Cnv. Un. Ln. 1995/97 3½pc.
Canadian Imperial Bank of Commerce Fltg. Rate Debs. 1994 $370.56
Chancery Securities 1.8p
Coated Electrodes Intl. 1.4p
Co-operative Bank Sub. Fltg. Rate Nts. 2000 £129.61
Dewhurst Dent 7% Un. Ln. 1990/2000 3½pc.
Dundee & London Inv. Tst. 4.4p
Exchequer 10¼% 1995 5⅛pc.
Fenner (J.H.) 3.75p
Fleming Fledgling Inv. Tst. 6¾% Deb. 1988/93 3⅜pc.
Hardanger Properties 9.85p
Hazlewood Foods 1.125p
Hydro-Quebec Fltg. Rate Nts. Series FY July 2002 $401.09
MEPC 9.75p
Scottish & Mercantile Inv. Tst. 1.4p
Do. A N/Vtg. 1.4p
Sungei Besi Mines Malaysia 30sen

FRIDAY JANUARY 22

COMPANY MEETINGS-
U.K. Land, Kensington Church Street, W., 12.00

BOARD MEETINGS-
Finals;
Greenfriar Inv.
Interims;
Centors

DIVIDEND & INTEREST PAYMENTS-
Airsprung Group 3.2p
Anglo American Corp. of South Africa 17.54287p
Anglovaal 61.195816p
Do. A 61.195816p
Do. 5% Ptg. Prf. 31.988722p
BPB Inds. 3p
Booth Inds. 1.5p
Bristol & West Bldg. Society Fltg. Rate Nts. 1992 £129.61
Britannia Bldg. Society Fltg. Rate Nts. 1996 £259.59
CCA Galleries 0.9p
Celtyns 4.2p
Caradon 2.5p
Chapman Inds. 2.8p
Concentric 4.55p
Eastern Transvaal 34.77035p
Ensign Trust 0.7p
Exchequer 12% 1999/2002 6pc.
Fine Art Developments 1.8p
Genfinance Fltg. Rate Nts. 1994 $367.36
Hartebeestfontein Gold Mining 17.385175p
Industrias Penoles Fltg. Rate Nts. 1989 $255.56
Lister & Co. 1p
Lucas Inds. 13.4p
Northern Industrial Improvement Trust 12.94p
Osborne & Little 1.7p
Phoenix Timber Group 1p
Priest, Marians 1.5p
Scapa Group 2.26p
Share Drug Stores 1.8p
Sweden (Kingdom of) 13.5% Ln. 2010 6¾pc.
Treasury 12¾% Ln. 1992 6⅜pc.
Treasury 14% 1996 7pc.
Treasury 13¾% Ln. 1997 6⅞pc.
Treasury 11¾% 2003/07 5⅞pc.
Unilock Hldgs. 1p

Trade Fairs and Exhibitions: UK

January 19-22
Which? Computer Show (01-891 5051)
NEC, Birmingham

January 22-24
Holiday Exhibition (0895 58431)
Alexandra Palace

January 26-28
Hirex Exhibition (01-660 8008)
Wembley Conference Centre

January 30-February 3
British International Toy and Hobby Fair (01-701 7127)
Earls Court

February 2-3
Electronics Industry Show (0273 675131) - ELECTRO WEST
Bristol Exhibition Centre

February 2-4
London International Safety and Health Exhibition (01 446 8211)
Novotel

February 7-11
International Spring Fair - Hardware and Housewares Show (0604 22023)
NEC, Birmingham

February 9-10
USM exhibition and conference (01-493 0000)
Chiswell Street, London

February 10-12
Energy exhibition (01-660 8008)
Harrogate

February 11-14
Crufts Dog Show (01-493 7838)
Earls Court

February 14-16
International Automotive Parts and Accessories Trade Show - AUTOPARTAC (01-855 7777)
Olympia

February 17-18
Northern Building Services and Energy Management Show (01-680 7525)
G-Mex Centre, Manchester

February 20-28
Boat, Caravan & Leisure Show (021-236 3366)
NEC, Birmingham

Overseas Exhibitions

Current
Hong Kong Toy Show (01-930 7955) (until January 19)
Hong Kong

January 22-29
Bahrain Fair (01-486 1951
Bahrain

January 22-24
International Clothing and Footwear Exhibition - CYPROMODE (01-734 4791)
Nicosia

January 29- February 7
International Green Week (01-930 7251)
Berlin

February 4-10
International Toy Fair (01-460 2235)
Nuremberg

February 7-10
Air Transport, Airport Services & Cargo Handling Exhibition - ARAB AIR (01-935 8537)
Dubai

February 10-14
Instrumentation and Scientific Control Equipment Exhibition - INSTRUMENTATION TURKEY (01-486 1951)
Istanbul

February 20-24
International Trade Fair (Consumer Goods) (01-734 0543)
Frankfurt

Business and Management Conferences

January 19
Management Forum: Expert systems in business and the professions (0483 570099)
Cafe Royal, London W1

January 19-20
Crown Eagle Communications: Successfully acquiring unquoted companies (01-242 4111)
London

January 19-20
Institute for International Research: Creating, implementing and projecting an effective corporate identity (01-434 0301)
Park Lane Hotel, London W1

January 20
Legal Studies and Services: Share schemes for executives and employees - the new law practice and strategy (01-236 4080)
Royal Lancaster Hotel, London W2

January 21
Institute of Personnel Management: Preparing to win at an industrial tribunal (01-946 9100)
Rembrandt Hotel, London

January 25-26
Financial Times Conferences; Civil aviation in the Pacific basin: the pattern of the future (01-925 2323)
Shangri-La Hotel, Singapore

January 26
EMAP Conferences: Corporate pensions – countdown to change - the definitive guide to the new legislation and regulations (01-404 4844)
Cavendish Conference Centre, London W1

January 27
The Association of Corporate Treasurers: Commercial paper - the opportunities (01-631 1991)
Cafe Royal, London W1

February 2
Institute of Directors: Bosses in the dark on computer risks (01-839 1233)
116 Pall Mall, London SW1

February 4
Spectra Retail Concepts: Looking forward at PC based instore systems (0734 794161)
Cafe Royal, London W1

February 8-9
Financial Times Conferences : The European Food and Drink Industry (01-925 2323)
Hotel Inter-Continental, London

February 9-10
Frost & Sullivan: Fibre optics in communications systems (01-730 3438)
Portman Hotel, London W1

February 10-11
Euromoney: Financial Law (01-236 3288)
Hotel Inter-Continental, London

February 11,12,15
Financial Times City seminar (01-925 2323)
Plaisterers Hall, London EC2

February 11-12
The Biscuit Cake Chocolate & Confectionery Alliance: 35th technology conference (01-631 3434)
Connaught Rooms, London WC2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

PARLIAMENT

TODAY

Commons: Criminal Justice Bill, second reading. Motion on Rate Support Grant (Scotland) Order and the Revaluation Rate Rebates (Scotland) Order.

Lords: Legal Aid Bill, committee. Farm Land and Rural Development Bill, third reading. Motion on Industrial Training Levy (Construction Board) Order.

Select committee. Public Accounts: subject, demountable rack off-loading and pick-up system; procurement irregularities. Witness: Mr Peter Levene, Ministry of Defence. (Room 16, 4.45pm).

TOMORROW

Commons: Opposition debate on "current crisis in the National Health Service." Motions on Scottish rating and valuation regulations.

Lords: Legal Aid Bill, committee. Motion to annul the Income Support (Transitional) Regulations 1987.

Select committee: Parliamentary Commissioner for Administration: subject, reports of the Health Service Commissioner. Witnesses: Cambridge Health Authority; North West Hertfordshire Health Authority. (Room 17, 4.30pm).

WEDNESDAY

Commons: Debate on White Paper on the Annual Report on Hong Kong 1987. Motion on the Food Protection (Emergency Prohibitions) Order. Opposed private business from 7pm.

Lords: Short debate on the need to increase resources for cultural diplomacy. Short debate on the increasing number of homeless people. Question to Government on progress in implementing the Salmon Act 1986 and the various threats to salmon stocks in the UK.

Select committees: Trade and Industry: subject, Post Office Inquiry. Witnesses: Union of Communication Workers, National Federation of Sub-Postmasters. (Room 15, 10.15am.)

Energy: subject, work of the Office of Gas Supply. Witnesses: The Director General and officials. (Room 8, 11am.)

Employment: subject, work of the Health and Safety Commission and the Health and Safety Executive. Witnesses: Dr E Cullen, chairman of the commission, and Mr J Rimington, director-general of the executive. (Room 17, 4.15pm.)

Public Accounts: subject, Fisheries Support. Witnesses: L.D. Andrews, Ministry of Agriculture; L.P. Hamilton, Department of Agriculture and Fisheries for Scotland. (Room 16, 4.15pm.)

Education, Science and Arts: subject, workload of the Department of Education. Witnesses: Sir David Hanock, Permanent Secretary, and officials. (Room 6, 4.15pm.)

Environment: subject, air pollution. Witnesses: Department of Environment officials. (Room 20, 4.30pm.)

Social Services: subject, resourcing the NHS. Witnesses: Sir Raymond Hoffenberg, president, Royal College of Physicians; Mr George Pinker, president, Royal College of Obstetricians and Gynaecologists; Mr Ian Todd, president, Royal College of Surgeons of England. (Room 21, 4.30pm.)

Joint committee: private bill procedure. Witness: Convention of Scottish Local Authorities; Society of Parliamentary Agents. (Room 4, 5pm.)

THURSDAY

Commons: second reading on the Firearms (Amendment) Bill. The Duchy of Lancaster Bill, remaining stages.

Lords: Legal Aid Bill, committee. Betting, Gaming and Lotteries Amendment Bill, second reading. Question to Government on the damage to trees and countryside caused by the October 16 gales.

Select committee. Agriculture: subject, storm damage of October 16. Witnesses: Ministry of Agriculture; Forestry Commission. (Room 16, 10.45am.)

FRIDAY

Commons: private members' bills.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO

Closing prices January 15

MONTREAL

Closing prices January 15

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 15

Continued from Page 33

INDICES

NEW YORK — DOW JONES

	Jan. 15	Jan. 14	Jan. 13	Jan. 12	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
◆Industrials	1956.07	1916.11	1924.73	1928.55	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.30	87.23	87.05	86.93	95.51 (9/2/87)	81.26 (19/10/87)	–	–
Transport	756.00	740.43	746.29	749.57	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	178.40	176.92	180.06	180.00	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 1988.40 (1940.15) Low 1942.47 (1894.15)

STANDARD AND POOR'S	Jan. 15	Jan. 14	Jan. 13	Jan. 12	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	252.05	245.88	245.81	245.42	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	289.99	282.75	282.61	283.23	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.41	21.91	21.93	21.69	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	141.16	137.97	137.95	137.74	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	268.31	263.88	263.27	262.76	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	340.14	334.23	332.68	331.97	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan. 8	Dec. 31	Dec. 24	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.57	3.46	3.34

	Jan. 14	Dec. 23	Dec. 16	year ago (approx.)
S & P Industrial div. yield	3.17	2.99	3.13	2.81
S & P P/E ratio	15.69	16.64	15.88	18.93

TRADING ACTIVITY † Volume

Millions	Jan. 15	Jan. 14	Jan. 13
New York	183.200	140.570	154.072
Amex	11.455	6.350	6.790
OTC	134.159	101.505	115.669

NEW YORK	Jan. 15	Jan. 14	Jan. 13
Issues Traded	1,966	1,922	1,953
Rises	1,387	773	815
Falls	289	685	711
Unchanged	290	464	427
New Highs	4	1	1
New Lows	8	9	14

CANADA

TORONTO	Jan. 15	Jan. 14	Jan. 13	Jan. 12	1987-88 High	1987-88 Low
Metals & Minerals	2616.0	2573.3	2536.6	2542.9	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3163.2	3131.8	3135.9	3141.3	4112.9 (13/8/87)	2843.9 (10/11/87)
MONTREAL Portfolio	1585.07	1562.69	1567.83	1569.34	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Texaco	3,472,800	37⅛	+ ¼
AT&T	3,078,400	29⅝	+ 1¼
Dupont	3,034,000	81½	+ ¼
Digital Equipment	2,944,400	119	– ⅝
IBM	2,794,600	119	+ 3⅛
Union Carbide	2,714,100	21⅞	+ ¼
Exxon	2,695,900	40⅞	+ 2⅛
General Electric	2,685,200	46¼	+ 1⅜
Ford Motor	2,583,800	41½	+ 2⅛
Columbia Gas	2,263,800	30⅛	– 3

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed (u) Unavailable.

	Jan. 15	Jan. 14	Jan. 13	Jan. 12	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1277.5	1264.1	1272.8	1295.2	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	710.9	705.5	715.4	723.1	1462.4 (14/10/87)	586.9 (11/11/87)
AUSTRIA						
Credit Aktien (30/12/84)	173.58	173.62	173.83	175.99	232.19 (22/9/87)	172.01 (11/11/87)
BELGIUM						
Brussels SE (1/1/84)	3702.9	3686.7	3698.0	3729.8	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	184.27	185.23	185.05	185.11	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	530.6	535.3	540.3	541.9	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	270.8	271.3	272.0	279.3	460.4 (26/3/87)	270.3 (11/12/87)
Ind. Tendance (31/12/87)	100.4	97.2	97.1	99.7	103.7 (6/1/88)	97.1 (13/1/88)
GERMANY						
FAZ Aktien (31/12/58)	403.42	411.15	408.08	415.67	676.84 (6/1/87)	400.13 (10/11/87)
Commerzbank (1/12/53)	1238.9	1259.6	1246.8	1276.3	2061.1 (17/8/87)	1220.9 (10/11/87)
HONG KONG						
Hang Seng Bank (31/7/64)	2429.77	2411.52	2383.79	2442.41	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	480.16	481.5	484.23	488.86	767.34 (30/4/87)	476.27 (10/11/87)
JAPAN **						
Nikkei (16/5/49)	(c)	22603.65	22324.99	22625.05	26646.43 (14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	(c)	1800.36	1775.80	1799.42	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	210.4	210.1	206.6	213.3	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	161.1	160.2	158.6	164.8	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	349.46	344.12	348.76	352.01	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	869.80	861.50	853.90	870.40	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1602.0	1601.0	1640.0	2499.0 (3/8/87)	1448.0 (5/11/87)
JSE Industrial (28/9/78)	(u)	1499.0	1514.0	1524.0	2266.0 (16/10/87)	1402.0 (23/11/87)
SPAIN						
Madrid SE (30/12/85)	237.31	235.88	233.75	235.49	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P. (31/12/56)	2215.6	2191.5	2185.8	2211.8	3550.4 (9/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	469.2	468.5	466.6	476.6	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	404.6	402.4	403.7	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday January 16: Japan Nikkei (c). TSE (c)

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

Closing prices, January 15

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
25⅝	14	AAR s	.36	2.0	16	332	18¾	18	18⅝	+⅝
32½	21	AFG s	.16	.6	9	894	26⅛	26	26⅛	+⅝
27	10½	AGS s			14	384	16⅝	16⅛	16¼	+¼
10½	6¼	AMCA				12	7	7	7	
6⅜	3¼	AM Intl			39	742	5⅝	5½	5½	
65½	26¾	AMR			10	3054	35	34⅜	34½	+1
12¼	6⅜	ARX s			7	33	7⅜	7¼	7⅜	+¼
73½	38⅝	ASA	2a	4.1		955	49½	48½	49¼	−⅛
22⅝	9½	AVX			19	1357	14¼	14⅛	14⅛	+¼
67	40	AbtLab	1	2.0	19	6849	50¼	48¾	49⅞	+1½
28	15⅝	Abitibi g				2	20⅛	20⅛	20⅛	+⅛
16¾	9½	AcmeC .40		3.5	16	214	11¼	11⅛	11⅛	−⅛
10½	6¾	AcmeE.32b		4.2	26	10	7¾	7⅝	7⅝	+⅛
20	14⅛	AdaEx 3.05e		19.		247	15⅞	15⅝	15⅞	+¾
18½	6⅞	AdamMl.24		2.6	7	55	9¼	9	9⅛	+⅛
24⅞	7½	AMD				6133	10⅜	9¾	10	+¼
56¾	29¼	AMD pf	3	9.2		68	32⅝	32¼	32⅝	+⅝
11⅞	4⅝	Adobe				644	5⅞	5⅝	5⅝	
20½	16⅜	Adob pf 1.84		11.		z16	16⅝	16⅝	16⅝	+⅛
21⅞	17½	Adob pf 2.40		12.		z3	20¼	20⅛	20¼	+¼
15	6⅛	Advest .12a		1.7	5	182	7½	7¼	7¼	−⅛
68¼	43½	AetnLf 2.76		6.0	6	2505	46¼	45⅞	46	+⅛
83½	39⅞	AfilPub .40		.7	8	102	53⅝	52⅝	53½	+1¾
26⅞	13	Ahmans.88		5.5	7	4174	16¼	15½	16	+1
5⅜	1¾	Aileen				242	2	1⅞	1⅞	−⅛
53⅞	39	AirPrd	1	2.6	14	3155	39½	38¼	38¼	+¾
36	11⅛	AirbFrt .60		4.3	8	324	14¼	13¾	13⅞	+¼
16½	6¾	Airgas			16	199	11½	11	11⅜	+½
19½	13½	Airlease1.16e		13.	9	164	17⅜	17	17	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
33½	20½	PetRs	3.22e	14.		80	23⅛	22¾	23⅛	+⅛
19¾	15	PetRs	pf1.57	9.9		7	16	15⅞	15⅞	−⅛
2⅛	¾	Ptrlnv	.78e	13.		20	1¼	1¼	1¼	
77	40	Pfizer	1.80	3.6	12	8874	51¼	50⅜	50¾	−⅜
56	23⅜	PhelpD	.60	1.5	20	3403	41½	40½	40¾	+1
74	37	PhelpD	pf 3	5.3		10	57	56½	56½	+½
25	16¾	PhilaEl	2.20	11.	9	2238	19⅞	19½	19⅝	+¼
49	38½	PhE	pfC4.40	10.		z200	42⅞	42⅞	42½	+1⅛
54	39	PhE	pfD4.68	11.		z400	43½	43½	43½	+⅛
87⅛	62¾	PhE	pfE 7	11.		z200	64	64	64	+1¼
87⅛	69	PhE	pfG8.75	11.		z1080	79½	78	79	+1
105	88	PhE	pfS9.50	11.		z60	86½	86½	86½	+1⅛
13¾	11	PhE	pfR1.41	11.		99	12½	12¼	12½	
13	9⅞	PhE	pfP1.33	11.		86	11⅝	11⅜	11⅝	
88⅜	65¾	PhE	pfH7.85	11.		z170	70¾	70	70¾	+½
12⅞	9¾	PhE	pfO1.28	11.		17	11⅝	11⅞	11¼	
120½	110	PhE	pfM15.25	13.		z220	113½	113¼	113½	
105	86	PhE	pfL9.52	10.		z108	92	92	92	+1
103	79	PhE	pfK9.50	11.		z590	86½	84¾	85	+½
88	64	PhE	pfJ7.80	11.		z1900	73⅝	71	73⅝	+1⅞
19	12⅛	PhilSub	.96	7.0	13	8	13½	13⅜	13½	+¼
124½	76¾	PhilMr	3.60	4.2	12	9317	87⅝	85⅝	86	+1½
23⅞	12½	Phlpin	.44	2.4	13	307	18⅝	17⅞	18⅛	+⅞
112½	88	PhilIn	pf 1	1.1		3	90	90	90	
27⅛	13½	PhilGl	.85e	6.1	6	684	14⅛	13¾	13⅞	+⅛
18¾	10	PhilPet	.60	4.6		5144	13¼	13	13	+¼
24¾	22⅞	PhPt	pf1.75e	7.1		52	24½	24¼	24½	+¼
26½	7½	PhilVH	s .36	2.7	5	446	10⅞	10¼	10¼	−¼
11¾	2⅝	Phlcorp				368	4⅝	4½	4½	−¼
[illegible]										
18⅞	8¾	Zemex	.40	4.2	9	3	9⅝	9⅝	9⅝	+⅛
33⅝	10	ZenithE				2418	16	15⅝	16	+⅞
13½	2⅛	ZenLab				868	3¼	3	3	
25	13½	ZeroNtl	.80	4.7	8	215	17¼	16¾	17	+⅛
20⅜	11⅛	Zero	.36	2.6	14	70	14⅛	13⅞	14	
30¾	15	Zurnin	s .68	3.3	14	223	21⅜	20½	20⅞	+⅜
10⅝	7⅝	Zweig	1.08e	12.		694	9⅜	9⅛	9¼	+⅛

AMEX COMPOSITE CLOSING PRICES

Closing prices January 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 15

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 31

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Better news from US leads to questions on UK interest rates

BY COLIN MILLHAM

DISCOUNT HOUSES appear to believe a rise in UK bank base rate is imminent. They were such keen sellers of long dated paper last week that there was a small rise in the rate that the Bank of England bought some bills.

Opinions among economists about the immediate prospects for UK interest rates tend to vary. Friday's US trade figures changed the general mood in the markets, but the question is whether this will be enough to allow rates to rise?

Mr Stephen Hannah, economist at County NatWest, said both the Chancellor and Governor of the Bank of England appear to favour higher rates. Mr Hannah suggests a rise in rates before the Budget on March 15 would give the Chancellor more room to cut taxation.

He also believes Thursday's figures will show money supply and bank lending rose sharply in December, and that sterling M0 may break out of its target range in February. Any fall in the value of the pound against the D-Mark to around DM2.95 could therefore provide the opportunity to increase UK bank base rates.

Mr Neil MacKinnon, economist at Nomura Research Institute, agrees sterling's value against the D-Mark could provide the key . Following the good US trade figures Mr MacKinnon feels the opportunity for the authorities to push up base rates could come quickly, possibly this week.

Mr Hannah and Mr MacKinnon noted the opportunities for round tripping in the bill market. This at present gives the opportunity to borrow, by issuing bills at around 8½ p.c., and reinvest in the interbank market at about 9 p.c.

This process, plus a high level of activity in take over bids, should contibribute to strong bank lending in December.Nomura Research forecasts that lending will rise £4.5bn, compared with £3.3bn in November.

Mr MacKinnon also noted the large rise of $3.74bn in UK official reserves in December, as the Bank of England intervened to support the dollar and prevent sterling rising against the D-Mark. He believes much of this was not sterilised with gilt sales, and that sterling M3 money supply will rise sharply by 3.5 p.c. Sterling M0 will rise 1.2 p.c. according to Mr MacKinnon. He points out that the last time M0 rose by this amount was in July 1987, and this was followed by a rise of 1 p.c. in base rates.

County NatWest also sees M0 rising 1.2 p.c., and M3 by 2.7 p.c., with bank lending jumping £3.8bn.

Stockbroker, Phillips and Drew, expects bank lending to rise £2.75bn; M0 by 1.5 p.c.; and M3 by 1.0 p.c.

The Public Sector Borrowing Requirement for December will be published Tuesday. There were no proceeds from privatisation on the month and Nomura forecasts a PSBR of £800m. County NatWest expects £550m and Phillips and Drew £500m.

On the other hand Barings Economics Unit forecasts a flat PSBR. Barings is in line with other forecasts, expecting December bank lending to climb £3.75bn; sterling M0 by 1.1 p.c.; and M3 by 2.5 p.c., but Mr Marc Hendriks, senior economist at Barings, is rather more cautious about the prospects for higher interest rates.

£ IN NEW YORK

Jan.15	Close	Previous Close
£ Spot	1.7710-1.7730	1.8280-1.8230
1 month	0.24-0.23pm	0.22-0.20pm
3 months	0.77-0.76cm	0.75-0.72am
12 months	1.75-1.90pm	2.95-2.85pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1848	+1.71	+0.97	±1.5344
Danish Krone	7.85212	7.93420	+1.05	+0.31	±1.5404
German D-Mark	2.05853	2.06459	+0.29	-0.45	±1.0981
French Franc	6.90403	6.97946	+1.09	+0.35	±1.3674
Dutch Guilder	2.31943	2.31910	-0.01	-0.75	±1.5012
Irish Punt	0.768411	0.777401	+1.17	+0.43	±1.6684
Italian Lira	1483.58	1519.16	+2.40	+2.11	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

CURRENCY RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
H Fl.	0.298	0.530	0.890	69.13	3.003	0.727	1	652.8	0.681	18.60
Lira	0.457	0.812	1.363	105.9	4.600	1.114	1.532	1000.	1.043	28.48
C $	0.438	0.778	1.306	101.5	4.409	1.067	1.468	958.4	1	27.30
B Fr.	1.604	2.850	4.784	371.8	16.15	3.910	5.378	3511	3.663	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.7770	1.7747	1.7697	1.7614	1.7475
D-mark	2.9825	2.9695	2.9428	2.9028	2.8264
French Fr.	10.063	10.062	10.063	10.062	10.059
Swiss Fr.	2.4375	2.4234	2.3978	2.3632	2.2957
Yen	231.75	230.85	229.04	226.16	220.53

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
112	5.53	6.30	0.09	0.56
114	4.02	5.00	0.22	1.26
116	2.35	5.48	0.55	2.10
118	1.27	2.45	1.47	3.07
120	0.43	1.57	2.63	4.19
122	0.19	1.17	4.39	5.43
124	0.09	0.55	6.29	7.17
126	0.04	0.35	8.24	8.61

Estimated volume total, Calls 3799 Puts 1189
Previous day's open int: Calls 35753 Puts 19708

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
80	9.32	8.62	0.04	0.32
82	7.38	7.21	0.10	0.55
84	5.40	5.54	0.12	1.24
86	3.59	4.34	0.31	2.04
88	2.28	3.27	1.00	2.61
90	1.24	2.33	1.60	4.03
92	0.45	1.50	3.17	5.20
94	0.20	1.15	4.56	6.49

Estimated volume total, Calls 432 Puts 68
Previous day's open int: Calls 893 Puts 1020

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
15500	24.81	25.80	0.01	1.00
16000	19.84	21.53	0.04	1.73
16500	14.98	17.60	0.18	2.80
17000	-	-	-	-
17500	6.57	11.01	-	-
18000	3.63	8.41	3.83	3.61
18500	1.74	6.27	6.94	11.47
19000	0.71	4.57	10.91	14.77

Estimated volume total, Calls 2 Puts 7
Previous day's open int: Calls 165 Puts 154

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE- EURODOLLAR OPTIONS

LONDON

CHICAGO

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.8137	1.8165	1.8165	1.8185
Jun	1.8060	-	-	1.8107
Sep	1.7980	1.7980	1.7980	1.8033

Estimated volume 28 (229)
Previous day's open int. 173 (174)

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co. and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKETS

Confidence improves on trade data

UK clearing bank base lending rate 8½ per cent from December 4

CONFIDENCE IMPROVED in the markets on Friday, following the lower than expected $13.22bn US trade deficit in November.

Mr Rupert Thompson, US economist at Morgan Grenfell, believes that rallies in US bond and equity markets will be sustained, and that the dollar will stabilise for at least another month.

He points out that other US economic news was good, including the rise in November business inventories, and fall in December producer prices. Wednesday's consumer prices are also expected to show inflation under control.

The following Wednesday's preliminary announcement of fourth quarter US GNP growth will be a strong 3.5 p.c., according to Morgan Grenfell, falling to 0.5 p.c. in the first quarter of 1988.

If Morgan Grenfell is right the US trade deficit will shrink to $11bn in December, partly thanks to seasonal factors. This should help keep the dollar stable, before a shift in seasonal factors pushes the deficit back up to $14bn in January.

These figures are obviously rather tenuous at present. In common with many other economists Mr Thompson believes the dollar's recovery may be short lived.

Mr Marc Hendriks, at Barings economic unit, believes the dollar will be supported by the better trade trend, but that central banks will cap any sharp rise. He points out that aircraft sales boosted US exports to a record level in November, and warns that lack of US domestic demand could lead to a renewed lack of confidence on Wall Street.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.15) 3 months US dollars		6 months US Dollars	
bid 7¼	offer 7¼	bid 7⅜	offer 7½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	5.66	Three year	7.79
Broker loan rate	8.00	Two month	5.69	Four year	8.01
Fed.funds	6⅝-¾	Three month	6.03	Five year	8.16
Fed.funds at intervention.	6⅝	Six month	6.54	Seven year	8.43
		One year	6.91	10-year	8.60
		Two year	7.59	30-year	8.77

Jan.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.15-3.25	3.30-3.45	3.30-3.45	3.35-3.50	3.40-3.55	4.50
Paris	7⅞-8	8-8⅛	8⅛-8¼	8⅜-8½	7⅞-7⅞	7.50

LONDON MONEY RATES